ROGERS
CABLESYSTEMS
INC.

cablesystems

1980 Annual Report

canadian cablesystems limited
1980 Annual Report

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Cover: Vancouver, British Columbia

"In reviewing the commitments made by Canadian Cablesystems Limited, the Commission is satisfied that they represent significant and unequivocal benefits to subscribers, to the communities concerned, and to the Canadian broadcasting system. Further, the Commission acknowledges the leadership qualities demonstrated by the management of CCL (Cablesystems), led by Edward S. Rogers, and has taken into account the potential value to be derived from an internationally competitive Canadian enterprise that has the dynamics and the resources to contribute substantially to the ongoing development of the Canadian broadcasting system."

—The Canadian Radio-television and Telecommunications Commission, in its decision approving Cablesystems' acquisition of control of Premier Communications Limited.

Highlights of the Year

1980

	1980	1979
	Thousands of dollars per year or per share	
For the year ended August 31		
Revenue	**$ 70,030**	$ 39,715
Operating income	**22,250**	16,246
Net income operations	**1,445**	4,346
Equity in income of Famous Players	**6,902**	5,484
Net income before extraordinary items	**8,347**	9,830
Gain on sale Tele-Capital	**3,678**	
Net income	**$ 12,025**	$ 9,830
Per share - before extraordinary items	**48¢**	60¢
- Net income	**69¢**	60¢
At August 31		
Total assets	**$307,012**	$ 125,800
Long term debt	**125,087**	14,723
Shareholders' equity	**117,179**	89,626
Subscribers on service	**1,301,000**	**503,000**

Expansion and innovation make Cablesystems a dynamic force in the communications industry.

From the Chief Executive Officer

In the first year of this challenging new decade of the 1980's, Cablesystems made giant strides towards its objective of becoming a total communications company. Through the acquisition of Premier Communications Limited, your Company has vastly increased its number of subscribers in Canada and abroad, so that we now rank as one of the largest cable television companies in the world. At the same time, new franchise awards in the United States have given Cablesystems much greater exposure in markets with enormous growth potential.

I sincerely believe that the steps your Company has taken are in keeping with our conviction that the cable television industry must go far beyond its traditional role of efficiently bringing information and entertainment into people's homes. The industry must develop into a vital communications medium of its own. It must allow all of us to express ourselves more clearly to each another; to better understand one another.

In striving to meet this goal, Cablesystems always has been conscious of its obligations to the public. A cable franchise is a public trust; and your company must balance the interests of its shareholders, its customers, and the communities which it serves. The best way to maintain this delicate balance is to expand the quality of the programming and other services the public needs, enjoys, and deserves, by utilizing all the technology and all the opportunities that become available to us.

Cablesystems has a proud record of growth and innovation, and it is your Company's fervent desire and intention to use its resources, its enterprise, and its imagination, so that we may continue to be competitive in world terms. The alliance with Premier brings to Cablesystems not only new talents, new technology, and new markets; it creates a company of a size which can become a dynamic force in communications, nationally and internationally.

In the United States, the presence of Time Inc., American Express Ltd., and Westinghouse Ltd. in the cable industry means that tremendous financial resources are now being applied to cable.

Size is vitally important to the future development of the cable industry. It is also an important asset in competing for franchises.

As technology forges ahead, we must ensure that the Company is not left behind. Similarly, in what is becoming a more open competitive environment, the regulatory agencies should avoid favouritism of one industry over another.

Financial results for the year ended August 31, 1980, are detailed elsewhere in this report. It should be pointed out that the cost of acquisition of Premier Communications Limited and other costs of expansion will have a significant negative impact on earnings in the current fiscal year.

To take advantage of future opportunities, the company must be prepared to sacrifice some short term consideration for long term benefits. Costs of development in all areas are high, yet these must be absorbed if the company is to become a major factor in the communications area.

I fully expect that our investments in the future will bring significant benefits to our customers and substantial rewards to our shareholders over the longer term.

Edw S Rogers

Edward S. Rogers
Chief Executive Officer

Cablesystems' Chairman John W. Graham, Q.C. (left) and Sydney Welsh, Chairman of Premier Communications Limited, have helped to forge a dynamic new presence in world communications.

Ted Rogers maintains a strong interest in the service and technological areas of Cablesystems' operations. Here he visits Joe Sgrow (left), George Patten, and Jeff Wallcott at Rogers Cable TV, Toronto.

The Company must be an originator, a programmer, with all the responsibilities the word implies.

A distinguished past, a dynamic future

From its origin in 1920, when it was first incorporated (as Famous Players Canadian Corporation Limited) through its pioneering years in the cable television industry in the 1950's and 1960's, Canadian Cablesystems has served its customers, its shareholders, and the public interest with distinction. Now, in the 1980's, that tradition continues as the Company continues to grow and prosper.

Cablesystems' philosophy continues to be founded in the quest for technical excellence, the provision of a greater variety of programming, the highest standard of service to its subscribers in many different communities, and a decentralized approach to management so that the constituencies we serve may give full expression to their thoughts and concerns.

Restructuring of the management of Cablesystems following the acquisition of Premier Communications Limited reflects your Company's continued dedication to that philosophy. In fact, management of Premier will assume a responsibility for a larger western operation than formerly. Premier management will also oversee all overseas development.

The activities common to all Cablesystems' interests are now coordinated by a National Management Committee, which meets monthly to superintend financing, research and development, capital budgets, acquisitions, U.S. franchising and construction, purchasing, special programming services, and similar joint-action programs.

In harmony with your Company's sensitivity to local and regional needs and aspirations, each area served by five per cent or more of subscribers is represented on the Canadian Cablesystems Board of Directors. Honourary Chairman is Sydney W. Welsh, the founder of Premier Communications Limited; Chairman is John W. Graham, Q.C., and the two Vice-Chairmanships are occupied by Edward S. Rogers, Chief Executive Officer, and by George Fierheller, President of Premier.

In the West, Premier Communications Limited will continue as a separate company, with its head office remaining in Vancouver. Mr. Welsh remains Chairman of Premier and Mr. Fierheller President and Chief Executive Officer, reporting directly to the Premier Board of Directors. Premier's Directors continue to exercise their traditional role of setting policy and direction in accordance with Western needs and requirements. Western Canada always will have majority representation on the Board of Premier, consonant with Cablesystems' firm policy that local needs can best be served by local men and women.

All U.S. and eastern Canadian interests, and cable television systems formerly managed by Premier in Ontario, have come under the direction of Cablesystems. U.S. Operations are headed by Robert Clasen.

Management and directors of Cablesystems are confident that your Company's new structure will augment its ability to exploit the economies and opportunities which growing size permits and presents, and at the same time will heighten its consciousness of, and promote the autonomy of, its many diverse constituencies.

Significant Dates

April, 1978	Cablesystems, through its 67 per cent ownership of Syracuse Cablesystems, Inc. enters the U.S. market.
January, 1979	Acquisition of control of Canadian Cablesystems Limited by Rogers Telecommunications Limited approved by the Canadian Radio-television and Telecommunications Commission (CRTC).
September, 1979	Cablesystems acquires cable television and hotel pay television assets controlled by Rogers Telecommunications Limited.
November, 1979	Cablesystems becomes equal partner with Dickinson Pacific Communications Ltd. in Dickinson Pacific Cablesystems to build cable systems in the cities of Westminster, Huntington Beach, and Fountain Valley in Orange County, California.
July, 1980	Transfer of Control of Premier Communications Limited to Cablesystems approved by CRTC.
August, 1980	California Cablesystems Inc. awarded franchise territory (Rossmoor) in Orange County.
September, 1980	Cablesystems Pacific, a partnership 50 per cent owned by Cablesystems, is awarded the right to negotiate franchise ordinance by the City of Portland, Oregon.
October, 1980	Minnesota Cablesystems Southwest, a partnership 75 per cent owned by Cablesystems, is awarded franchise by a joint cable television commission representing five cities immediately south-west of Minneapolis, Minnesota.

Some of Premier Communications' management team. George Fierheller, President and Chief Executive Officer, is flanked by (left) Sandy Buschau, Director of Programming and Public Relations, and Lal Fox, Senior Vice-President.

Cablesystems expanded its size and its horizons in 1980. Left to right are Robert Francis, Senior Vice-President, Finance; Colin Watson, President; and Phil Lind, Senior Vice-President, Programming and Planning.

Such a joining of interests will be of significant benefit to the industry and the shareholders and of great importance to subscribers.

Now, a world-scale Company

The corporate marriage of Cablesystems and Premier Communications Limited created one of the world's largest cable television companies, with currently more than 1,300,000 subscribers in Canada, the United States, and Ireland.

In its application to the Canadian Radio-television and Telecommunications Commission (CRTC) for approval of the $86.5 million acquisition of Premier, Cablesystems stressed the benefits-to subscribers, to shareholders, to the broadcasting industry-of a strong yet decentralized organization which would enable Canadians to communicate with one another across the street or across the nation. The managements of Cablesystems and Premier further believe their new and intimate relationship promises to make the combined company a dominant force, nationally and internationally, in the development of cable technology and services.

Premier had its beginnings in 1953 when a group of three far-sighted men, including Sydney Welsh, who continues as chairman of the company, began supplying and installing cable television systems in Vancouver and elsewhere in British Columbia. In those days, the idea of cable was greeted with skepticism and disdain. Financial constraints forced the Welsh Group to turn for backing to Columbia Broadcasting System, Inc., on whose behalf Classic Developments Ltd. was formed.

Classic Developments became Premier Cablevision Limited in 1971, and a public sale of the Company's securities served to broaden the companies shareholder base and lower CBS' interest to less than 20 per cent. Premier Cablevision (whose name became Premier Communications Limited in January, 1980) kept its roots firmly planted in the West, but reinforced its reputation as an industry pioneer, technically and geographically, by establishing cable systems in Ireland and by its early entry into the microwave transmission of MDS (Multi-point Distribution System) Pay-TV signals in some of the most populous areas of the United States west coast.

On its home ground, Premier is demonstrating its innovative talents and its community involvement through its close association with the Knowledge Network of the West Communications Authority. The Knowledge Network (KNOW) is a British Columbia Crown Corporation which, among other things, links education, social and health institutions by means of cable, microwave, and satellite transmissions.

Cablesystems has promised to muster the necessary financial and other resources to give Premier a world-class, state-of-the-art cable system in its home province of British Columbia.

Management of Premier will oversee this 5-year, $92 million modernization and improvement program whose principal elements include:

- Expansion of plant capacity to provide over 35 non-duplicated, fully programmed channels with two-way capability for subscribers to the Vancouver, Victoria and Fraser systems in British Columbia.
- Rebuilding of 1,500 miles of the Vancouver plant at a projected cost of $12 million.
- Construction of new neighbourhood studios at the British Columbia centres of Vancouver, Richmond, and Burnaby to promote the development of community programming.

Cablesystems has given its pledge to undertake these and other measures aimed at improving and expanding programming, technical services, and communications research.

← Vancouver, British Columbia, is the scenic home of Cablesystems' new sister company, Premier Communications Limited.

→ The Company takes pride in local programming. Carole Taylor (left), a member of the Board of Directors of Cablesystems, talking with members of the programming staff of Victoria's Cable 10.


SHIBADEN COLOR CAMERA
SHIBADEN
CABLE
TELEVISION

A strong national cable communications company can contribute effectively to nation-building.

Cable brings people closer together

With the acquisition of Premier Communications Limited, Cablesystems has become more national in scope. Your company now serves communities embracing more than one-quarter of the Canadian public, and is deeply conscious of the opportunities and obligations that arise from its enhanced size.

Cablesystems is well embarked on its efforts to reach wider audiences with improved transmission reliability, a wider menu of programming and other services.

To these ends, Cablesystems has completed the Macdonald-Cartier microwave systems, which link eight communities across Ontario. This regional network makes possible permutations of system interconnections, and carries four channels which offer coverage of government proceedings, entertainment for children, education, and multicultural programs. The Company also operates an institutional network in its Toronto System.

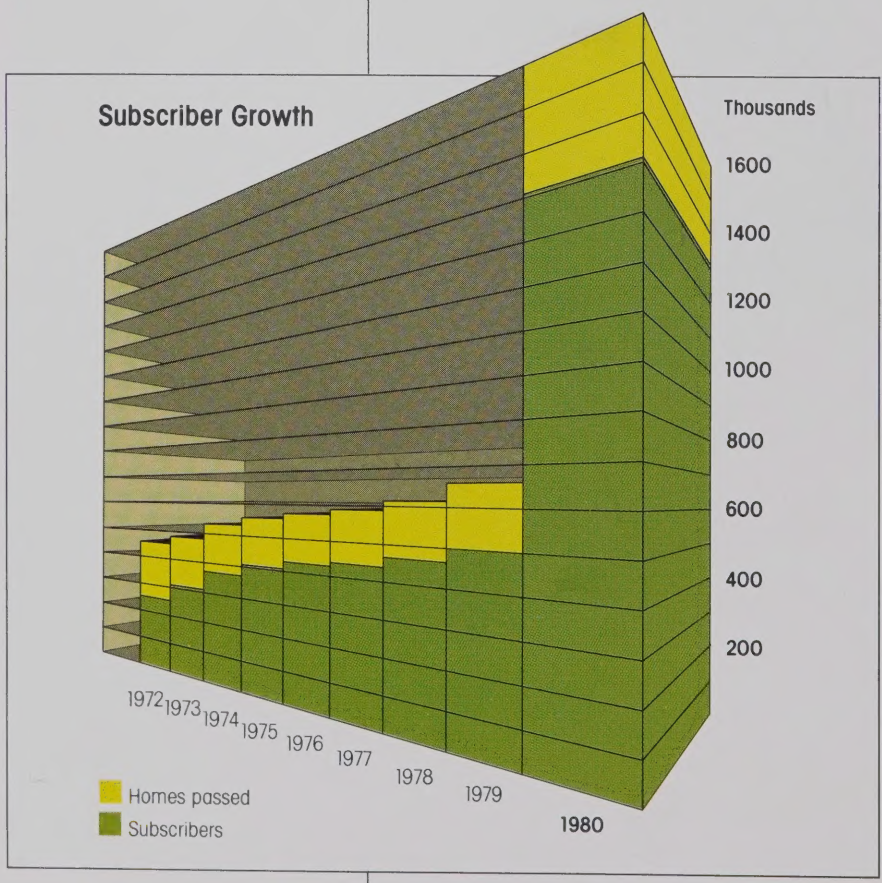
And in Metropolitan Toronto, Cablesystems is proceeding with the realignment of what has been a jigsaw puzzle of franchise boundaries which previously prevented each of Metro's component municipalities from having its own distinctive community programming. This rationalization is being done with the active encouragement of the government of Ontario. When completed, it will result in franchise boundaries being municipal boundaries. To facilitate this your Company has given up sizeable licensed areas to adjacent cable companies. This process has resulted in a net reduction of 136,000 Cablesystems subscribers. The Company expects that more orderly geographic arrangement will help it to more efficiently deploy its customer service and programming resources.

In the Lower Mainland of B.C., Premier is engaged in a similar undertaking which will enable the cities of Vancouver, Burnaby and Richmond to have their own autonomous local systems, so that each may enjoy programming which is most relevant to the three communities.

Through its interest in Premier Communications, Cablesystems now owns indirectly a 45% interest in Western Cablevision Limited, which provides service to approximately 75,000 subscribers in five other British Columbia communities. Since the end of the fiscal year, Premier has entered into an agreement to purchase the remaining 55% of Western Cablevision Limited. This transaction is subject to the approval of the CRTC.

Because Cablesystems' Canadian operations have reached the relatively high rate of market penetration of 83.5% of households passed by cable in its franchise areas, growth of subscribers slowed to 4.3% in the latest fiscal year compared to an average annual rate of 5.3 % between 1975 and 1979. This means that the Company is dependent to a large degree on rate increases to offset the effect of inflation. Since January 1, 1979, Cablesystems received approval from the CRTC for rate increases averaging 9.1% for 14 of its Canadian systems.

Cablesystems sees its major future growth in Canada coming from expansion of services and franchise areas, and from participation in Pay-TV, which the federal government has belatedly endorsed.



Service technician Ken Nicholls works on a cable amplifier in Toronto. New status monitoring techniques indicate a potential malfunction prior to an actual failure.

Rogers Cable TV

Expansion in the United States makes Cablesystems a truly international company and provides opportunities for enormous growth.

New commitments, new frontiers

Cablesystems' record of unexcelled service, advanced technology, and proven capability in local programming combined to give your Company the promise of two important new franchise areas in the United States after the end of the fiscal year.

In Portland, Oregon, Cablesystems Pacific, owned equally with a group of 41 local residents, has been awarded the right to negotiate an ordinance which would entitle the partnership to an area with a subscriber potential of 130,000 homes. A Portland citizens' task force and the City's independent consultants rated the Cablesystems' partnership the most attractive among all the applicants, and your Company anticipates than an ordinance will be signed and ratified by March, 1981.

Also in September, 1980, Cablesystems won the endorsement of a joint cable television commission to provide service to five communities immediately southwest of Minneapolis, Minnesota. This approval, which goes back to the respective municipal councils for ratification, would give Minnesota Cablesystems Southwest (75 per cent owned by your Company) an additional subscriber potential of 56,000 households.

Portland and suburban Minneapolis thus became prospective members of Cablesystems' U.S. family.

Syracuse Cablesystems (66.7 per cent owned), with 65,000 homes in its licensed area, has now completed its construction phase and is contributing growing revenues to your Company. The construction of the entire system was completed in 18 months. Pay TV acceptance among subscribers is over 80%. The Syracuse system, with its two-way alarm facility and other fully interactive capabilities, rates among the top two systems in the cable industry, and is an important credential in your Company's search for further U.S. franchise areas.

Cablesystems has made a major financial commitment to a partnership in Dickinson Pacific Cablesystems (DPC) which your Company entered on a 50-50 basis. This system in Huntington Beach, Fountain Valley, and Westminster, California is early in construction. Also in southern California, Cablesystems has won the franchise rights to Rossmoor and La Marada, two communities with a total subscriber potential of 20,000. Your Company is vigorously competing for the right to negotiate franchises for all the areas contiguous to Dickinson Pacific Systems and elsewhere in Orange and L.A. Counties. In all our U.S. markets, the Company places great emphasis on recruitment of top flight local staff.

Cablesystems remains convinced that its best strategy for further penetration of the U.S. market is to confine its franchising efforts to a limited number of selected large urban markets where it can best build upon its record of technological advancement and servicing of Metropolitan areas.

The status of your Company's application for the right to serve the City of Minneapolis remains in doubt. This franchise was awarded to Cablesystems and then awarded to another company, and is now subject to a decision by the Minnesota State Cable Board. If the Board decides that there was in fact procedural impropriety in the granting of this Franchise, the City Council of Minneapolis may order a re-bid.

← The new world headquarters of Gelco Corporation, a leading company in Eden Prairie, Minnesota. Eden Prairie is one of the cities which recently selected Minnesota Cablesystems to receive a cable franchise.

→ Cablesystems intends to focus its U.S. expansion on urban areas. Harriet Wieder (left), a member of Orange County's Board of Supervisors, is joined by Robert Clasen, who heads up Cablesystems' U.S. operations and Liane Langevin, Vice-President of California Cablesystems.

Our objective is to have as many subscribers in the United States as we have in Canada.

Franchising: The way ahead

Cablesystems is no longer solely a Canadian company. While one of its primary obligations continues to be the strengthening of the national fabric, your Company now has responsibilities to those communities we serve elsewhere in North America and abroad. To win a greater presence in the United States, it is essential for Cablesystems to emphasize its reputation for building and operating large-scale and complex urban systems. Also Cablesystems provides programming that has quality as well as diversity, and emphasizes its ability to create systems and services which will bring U.S. communities closer together by providing an outlet for their social, cultural, and political expressions. Sensitivity to local needs is the key to success in U.S. communities awarding new cable TV franchises.

In Canada, the cable industry has reached a high degree of maturity in terms of market penetration.

In the United States, cable television originated more than 30 years ago-but predominantly in rural areas where television reception was poor and where the variety of signals was limited. It was only recently that cable television began to make itself felt in major U.S. urban areas. In 1979, only 20% of the approximately 80 million households in the United States took cable television service.

As a consequence, the rate of growth of cable television in the United States, is now significantly higher than in Canada.

The National Cable Television Association, expects that between 40 and 50 per cent of U.S. households with television sets will be cable users by 1990.

Cablesystems intends to continue its aggressive pursuit of new cable franchises in selected U.S. urban areas. The company has an outstanding staff composed of young, highly motivated individuals. Because of its long and successful experience in operating large systems (your Company's systems average 55,000 subscribers, the highest such average in the world-and two of them each have more than 250,000 subscribers), because of its commitment to state-of-the-art technology, and because of its policy of seeking local partners and local management in franchised areas, Cablesystems considers itself well equipped to meet its competition in the U.S.

Cablesystems has pinpointed four priority areas for new franchise opportunities in the United States.

One is the Twin Cities area in Minnesota, Minneapolis and St. Paul. Another is Southern California, in Orange and Los Angeles Counties, where Cablesystems already has a substantial presence through its 50 per cent ownership of Dickinson Pacific Cablesystems. A third comprises the environs of Portland, Oregon in which City we already have the right to negotiate an ordinance for a system license and whose surrounding area offers an equally large market potential. The fourth is Miami, Florida, where Cablesystems has followed its custom of joining with local interests to compete for one of the most interesting and challenging U.S. markets. Other markets are being investigated.

In addition to its franchising activities, the Company is actively examining acquisitions under the direction of Graham Savage, Vice President, Investments.

Portland is an important new franchise area for Cablesystems. Here, Skip Cerio (left), Vice-President of Cablesystems Pacific, talks with Charles Jordan, member of the Portland City Commission.

The new Portland, Oregon, franchise presents both a challenge and an opportunity to Cablesystems. A partnership joining the Company with 41 local residents will give this west coast U.S. city one of the world's most advanced cable-based communications networks.


HOTEL
LENOX

We intend to implement a new generation of addressable interactive, informational, educational, and access services.

Cable brings increasing social benefits

"Hello?"
"Hello."

Most of us associate daily social or business communication with physical encounters or with conversations over the telephone. The cable television industry has out-dated this notion, by introducing two-way interactive services which allow subscribers to communicate with, and to be serviced by, their cable TV system.

Cablesystems is in the forefront of almost every new technical development for the cable industry. Cablesystems is one of only two cable companies in North America which have developed these two-way interactive services. Your Company pioneered this concept in London, Ontario, where citizens were able to register their opinions during the last federal election by the push of a button.

Subscribers to Cablesystems' Syracuse system enjoy an in-house, 24-hour alarm system which protects them from fire and burglary. We believe that the application of this type of technology has put Cablesystems in the vanguard of new technology and has immeasurably enhanced its opportunities for winning new franchise areas in the United States.

When considering the cable industry overall it must be noted that few companies in the cable industry are spending significant money in technical research and development. As a result, the cable TV industry will be hard pressed to meet the challenge that will confront it from the resurging and competitive-oriented telephone companies.

Cablesystems spends in excess of 2.5% of its gross regulated revenues on Research and Development. The Company's in-house but independently organized research arm, Cablesystems Engineering, undertakes a broad based research program. Where possible, it coordinates its programs with other industry groups and research laboratories. Cablesystems Engineering also undertakes research work under contract from the Federal Government and research houses.

Matters on which Cablesystems Engineering are currently working include:

- **Addressibility, Converters and Mechanisms for Tiering**
  The provision of a low cost converter that will allow the cable company greater flexibility in marketing programming packages.
- **Information Services**
  The development for the marketplace of videotext and teletext services such as the highly rated TELIDON.
- **Data Transmission and Packet Switching**
  The realization of a market for the transmission of information. Formerly this field was occupied exclusively by the telephone companies. Cablesystems pioneered in this area by developing a cable interface with Telenet for packet switching.
- **Satellite Transmission and Uplink**
  Bringing the advantages of satellite transmission closer to home, and using the satellite to solve the problems of service to rural and remote communities. Developing efficient uplinking so that the cable industry can be a more effective programmer.
- **Others Include**
  Teleshopping, further development of low cost Status Monitoring, Energy Conservation and Load Management Programs, and Teleconferencing and Expansion of Channel Capacity.

Teleshopping is one of the increasing number of two-way interactive services, providing a remote but intimate meeting place for consumer and retailer.

Cablesystems' Syracuse, New York, system introduced to the world a sophisticated yet inexpensive in-house alarm system to signal fire or burglary. Councillor Armond Magnarelli, President of the Syracuse Common Council, inspects the computer alarm room with Rhonda Robinson.

A desire to innovate in programming is a necessity for the continued strength of the cable industry.

Cablesystems is part of the community

Cablesystems believes that one of its primary responsibilities is to provide television viewers with complementary programming i.e., programming that is not being provided by conventional broadcasters. This includes programming that is strongly community in scope as well as a variety of other types such as children's programs, programming for the handicapped and programming describing the workings of governments at all levels.

Local programming on the community channel is one of the company's major undertakings. In every community we serve, your company provides first class studios, and mobile equipment and staff to train the people of the community to use these facilities. The result has been to stimulate and create interest in the community, as well as to create vital, interesting local programming.

Cablesystems this year produced 47,000 hours of community programming in 29 languages at a cost in excess of 7.5% of its regulated cable revenue.

Your Company takes great pride in the provision of other types of programming. This programming includes "May I Introduce To You" a series of Canadian music specials which have been hosted by well known music personalities who in turn introduce their favourite promising artists. Presently, Cablesystems is financing another 10 Music Specials–all of which are being produced in the west.

The Company produces programming for minority groups. It has organized a number of "theme channels" whose appeal is directed towards particular groups. The Deaf Television Resource Centre, created by Cablesystems in 1978 has pioneered much programming for the hearing impaired. The company produces significant amounts of multicultural programming. The Company also produces and organizes channels that reflect the arts and humanities, education, government service, religion, and consumers' interests. The channels also provide financial news and environmental information.

The Company has completed the first block of an exciting new programming concept, French for Canadians. This is designed to encourage the appreciation by English speaking viewers of a non-English language culture. To reflect diversity is to serve a community.

Bi-monthly, live phone-in shows called "Ask Us" allow subscribers to communicate directly and on-air with each cable system manager. Barry Ross (left), Senior Vice-President, Cablesystems, and William Rogers, Executive Vice-President of Rogers Cable TV, respond to subscriber questions and concerns.

Programming is at the heart of Cablesystems' present and future. On municipal election night in Toronto, Ontario, Mayor-Elect Art Eggleton (right), was interviewed during a telecast which joined Rogers Cable TV and Toronto's young and imaginative television station, CITY-TV.


A
citytv
Production
in cooperation with
rogers cable tv

Multiple-channels bring the need for satellite services, for institutional communications, for interactive services, and for more and better programming.

The Future: Technology plus programming quality

Cablesystems is committed to developing programming to serve the broadcasting system and its cable TV subscribers.

Rogers Cable TV, now a part of Cablesystems, initiated its "Something for Something Fund" in 1978 by allocating 1% of its regulated cable gross revenue. This was dedicated to a solution to the "rights" question which has so far proved elusive. Now, by combining similar contributions from all Cablesystems and Premier systems, it is expected that the total will exceed 5 million dollars by 1985. This fund currently assists the broadcasting and program production industries which provides more programming choice for subscribers.

In the past year, Cablesystems further committed on behalf of itself and Famous Players Limited to establish a Canadian Cable Production Fund of $5 million which is being used to assist the production of Canadian feature films and television programs. The $2.5 million television program portion of the Fund will help to support the independent producer and provide the kind of quality that is essential to attract Canadian viewers to Canadian programs. The $2.5 million film component of the fund is in addition to the financing assistance which Famous Players already contributes to the feature film industry.

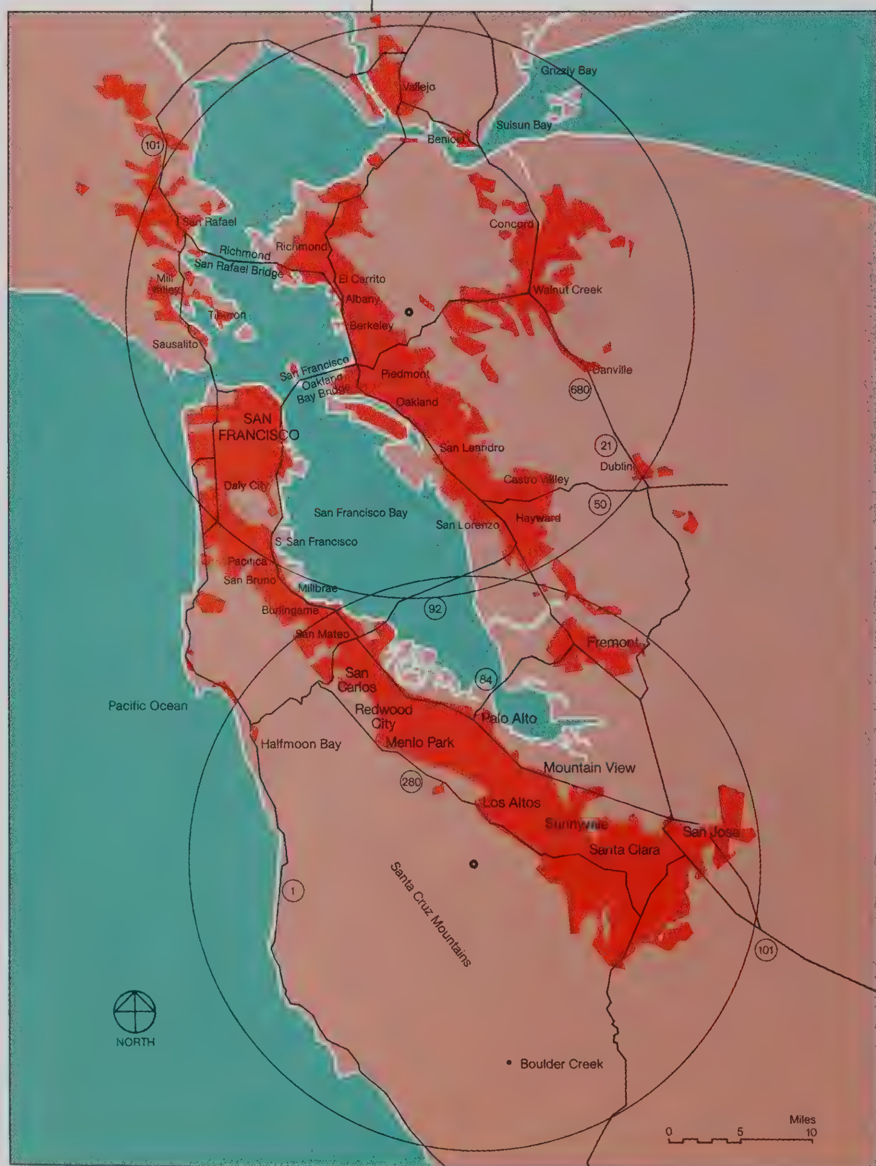
Rogers Telecommunications, the controlling shareholder of Canadian Cablesystems Limited, has been instrumental in providing initial funding for Cable Satellite Network (CSN). CSN includes companies which represent most cable subscribers in the country. Both CSN and PTN (Pay Television Network) will reveal their plans for extra services including Pay TV in early 1981.

Provincial governments, especially those of British Columbia and Ontario, enthusiastically support the need for additional programming services. Your company has installed a satellite uplink in Toronto and will construct one in Vancouver to facilitate the transmission of cable-packaged programming.

Premier has brought to your Company exposure to MDS (multi-point distribution service, or "over-the-air" Pay TV) through its position in California Satellite Systems Limited and Northwest Entertainment Network, Inc. California Satellite (Calsat) has a signal range of 290,000 dwellings in the Sacramento area of California, and Northwest Entertainment provides an MDS pay television service with a market potential of 490,000 dwellings in the Seattle, Washington and Portland, Oregon areas.

The Company also has a subsidiary, Premier Communications Network Inc. which markets a MDS service in the San Francisco area.

Pay Television in Canada provided it is properly structured will have strong earnings potential for the Company.



Multi-point distribution service (MDS), is Pay TV delivered 'over the air'. Shown is the 'reach' of Premier's MDS system in the San Francisco area.

Kevin Shea, Executive Director of Cable Satellite Network, chats with Inta Janouskis of TV Ontario (TVO) in front of an uplink in Brampton Ontario, which beams into the air Galaxie, a programming service for children produced by TVO. Satellite transmission is vital to the future of the cable industry.


ROGERS
TELECOMMUNICATIONS

That's Entertainment: Famous Players Limited

Most successful year in history

Famous Players Limited, in which Cablesystems has a 49 per cent interest, set records in terms of both attendance and earnings during fiscal 1980. Theatre operations of Canada's largest motion picture exhibitor benefited from showings of such blockbusters as Apocalypse Now, Star Trek, "10", and Amityville Horror. The top 10 grossing features accounted for more than 35 per cent of dollar admissions.

The company's theatre expansion program continues to be directed at the opening of new auditoriums in shopping centres and major downtown developments. This year, Famous Players will open six 6-auditorium theatres in Edmonton, in Montreal, and in Langley, British Columbia. Four-plex theatres will be opened in Regina, Edmonton, Hamilton, Quebec City, and in Markham and Stoney Creek in Ontario. Triple-auditorium theatres are under construction in St. John's and Sudbury, and a dual-auditorium will open shortly in Bathurst, New Brunswick.

December 1980, marked the completion of Famous Players' new 7-storey head office. The property, situated at a prime location on Toronto's Bloor Street West, houses four theatre auditoriums and contains leased retail space.

In June, the company sold the Northstar Inn in Winnipeg, taking back a long-term lease on two theatre auditoriums located in the hotel. Elsewhere, Famous Players expanded its non-theatre activities. Work proceeded on the 50-acre Skyway Business Park, near the Toronto International Airport, which is being developed in phases on a joint basis with Cadillac Fairview Corporation.

To date two office buildings, two mixed office/light industrial buildings, a restaurant and Digital Equipment's head office building have been constructed. Future plans include a 450 room hotel to begin construction in January as well as a 6-auditorium free-standing theatre.

Pyramid Place, the Niagara Falls entertainment centre developed in conjunction with Canboro Investments Ltd., came under the full ownership of Famous Players last year. Several attractions have been added, featuring games and boutiques and a children's village called Kid's Place.

A second entertainment centre has been opened in Gatlinburg, Tennessee, at the gateway to the Smokey Mountains National Park, the most frequented national park in the United States. This centre, like Pyramid Place, includes an Imax theatre with a screen six storeys high and 85 feet wide. Famous Players has a 75 per cent interest in the Gatlinburg venture.

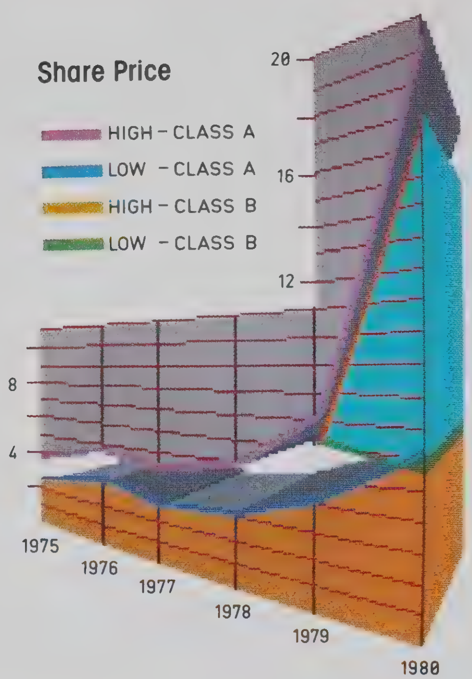
As an important addition to its existing film-financing commitments, Famous Players has advanced a further $2.5 million for the production of Canadian films- an undertaking which it made in support of Cablesystems' application to purchase Premier Communications Limited. Among the titles that have been partially funded by Famous Players are Ticket to Heaven, Bells, Incubus, The Last Desperado, Love, and The Plouffe Family.

Mr. George Destounis, President of Famous Players, recently announced the formation of Famous Players Film Corporation, a new company designed to develop, finance and produce Canadian feature films. Principal photography on FPFC's first feature, Touch The Wind, was completed on Oct. 19. Mr. Destounis has received accolades for Famous' invaluable contribution to the Canadian film industry. These efforts are actively supported by Famous Players' other shareholder, Gulf+Western (Canada) Limited.

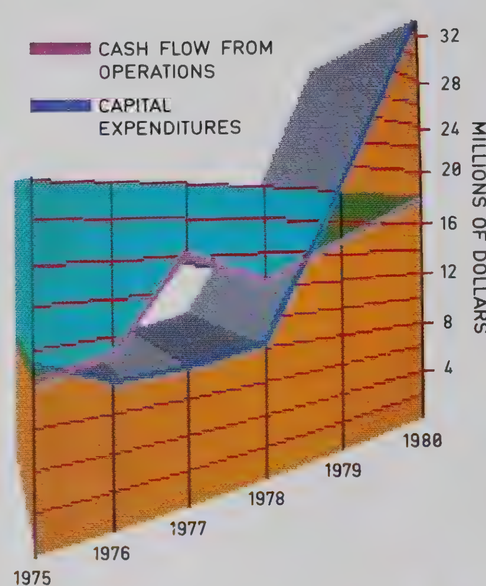
← Oscar-winning director Christopher Chapman (left), continuity advisor Margaret Hanly and cinematographer Paul van der Linden on location in Alberta for Famous Players Film Corporation's first feature film, Touch The Wind.

→ Robert Logan and Vancouver actress Twyla-Dawn Vokins in Touch The Wind.

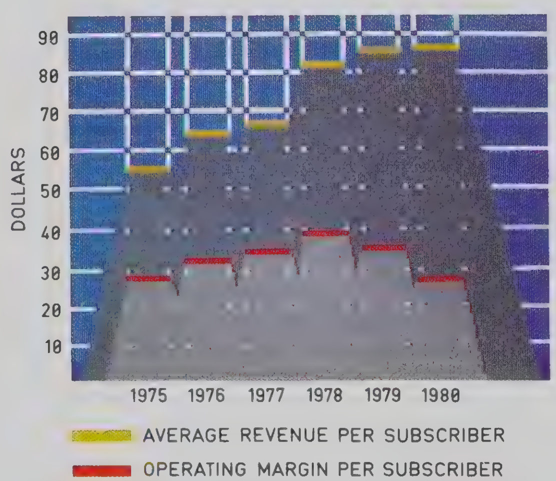
Share Price



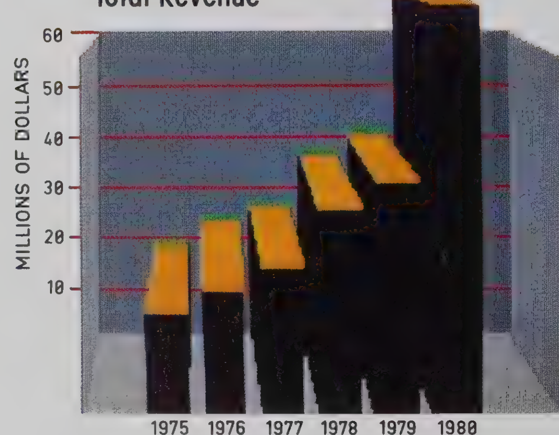
Cash Flow and Capital Expenditures



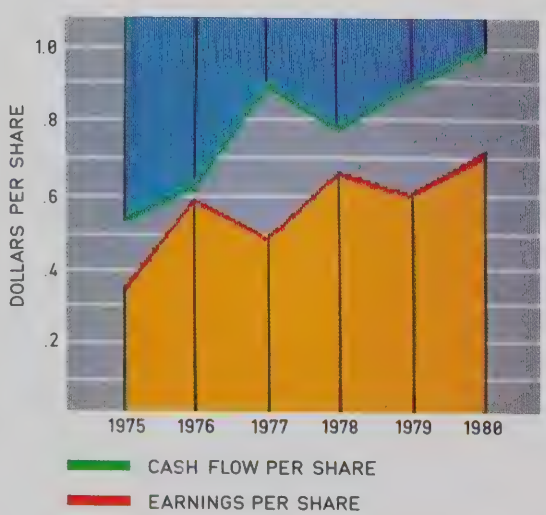
Average Revenue and Operating Margin per Subscriber



Total Revenue



Earnings and Cash Flow per Share



TELIDON is a two-way interactive service which permits subscribers to choose from their living rooms information about products and services available in their communities. This year's corporate charts have been done on the TELIDON system to demonstrate its versatility.

Subscribers

The Company entered into a significant number of transactions during the year that more than doubled subscribers to 1,301,000 (after "rationalization" described below) at August 31, 1980.

This is shown as follows:

Subscribers August 31, 1979	502,633
Purchase of cable business from Rogers September 1, 1979	236,732
	739,365
Growth during year	
Canada	32,588
United States	17,107
	789,060
Acquisition of Premier August 1, 1980	648,324
Subscribers August 31, 1980	1,437,364
Subscriber reduction as a result of "rationalization" September 1, 1980	(136,478)
Subscribers after "rationalization"	**1,300,906**

The Rogers businesses were purchased effective September 1, 1979 and included Rogers Cable TV in Toronto, Brampton and Leamington, Ontario.

The purchase of Premier Communications Limited added 648,324 subscribers to the Cablesystems' base. As part of the commitment to the Canadian Radio-television and Telecommunications Commission (CRTC) given in conjunction with the application for Premier and Rogers' commitment given in conjunction with the application for Cablesystems, various Canadian cable licenced areas were purchased from and sold to other cable companies in Ontario ("rationalization" of licenced boundaries) in September 1980. The net result of this "rationalization" was a loss of 136,478 subscribers. These transactions resulted in a realignment of franchise boundaries in accordance with municipal boundaries in Metropolitan Toronto.

Canadian penetration was to 83.5% at August 31, 1980, after "rationalization" and including Premier. (82.8% before rationalization). Canadian penetration including Premier was 81.0% in 1979.

The construction of the Syracuse, New York system was completed in April, 1980. At August 31, the Syracuse system served 27,000 basic and 22,000 Pay TV subscribers (a basic penetration rate of 41.9%).

Construction of the Southern California system in Huntington Beach, Westminster and Fountain Valley commenced this past spring. This system will serve 105,000 homes when construction is completed in early 1983.

The Premier systems in Southern Ireland added 3,000 subscribers bringing their total cable customers to 73,000 with a penetration rate of 78%.

Subscriber Rates

Because of escalating costs caused by inflation, Canadian cable rate increase applications have been filed for most Canadian systems. Currently, monthly rates in Canada range from \$5.25 to \$7.25 per month for basic service. From September 1, 1979 to August 31, 1980, Cablesystems (including Premier) has received approval for rate increases averaging 5.6% for nine of its twenty Canadian systems.

Rates for converter rental range from \$3.00 to \$5.00 per month.

The monthly rates in the Southern California system are \$10.95 for basic cable (with converters) and \$10.95 each for the two Pay TV packages offered. The rates in Syracuse, New York are \$5.75 per month for basic cable (\$7.25 with converter) and \$3.95 to \$7.95 per month for Pay TV.

Acquisition of Premier Communications Limited

On July 30, 1980 the CRTC approved the transfer of control of Premier to Cablesystems. On August 1, 1980 Cablesystems completed the purchase of 1,682,366 (50.4%) shares of Premier from the controlling shareholders of Premier and 615,040 (18.4%) shares from CBS. Cablesystems then owned a total of 85.1% of Premier's outstanding shares.

On August 11, 1980, Cablesystems made an offer to all shareholders of Premier to acquire the remaining 496,371 shares. When the offer closed on September 19, 1980, 481,581 of the 496,371 shares had been tendered bringing Cablesystems' total interest to 99.6%.

The 1980 financial statements include all the assets of Premier and one month of its income. The effective date of acquisition was August 1, 1980.

The acquisition has increased net subscribers on service by 582,000 (after taking the effect of subscriber purchases and sales from "rationalization") to 1,301,000 at year end.

Revenue

Revenue increased to \$70,030,000 as compared to \$39,715,000 in 1979. Contributing to this increase were the cable and hotel Pay TV businesses acquired from Rogers effective September 1, 1979 and one month's operations of the Premier Communications group acquired effective August 1, 1980.

Revenue per subscriber for the current year amounted to \$86.75 as compared to \$85.80 in 1979. The current year revenue figures include the operation of the hotel Pay TV business acquired from Rogers September 1, 1979 (comprising approximately 12,500 individually wired hotel rooms) and the Premier over-the-air Pay TV systems in the United States.

Operating Costs and Expenses

Operating costs in the current year amounted to \$47,780,000 as compared to \$23,469,000 in 1979 representing 68% of revenue in 1980 compared to 59% in 1979. Contributing to the increase were expenses incurred on U.S. franchising of \$3.6 million as compared to \$1.0 million in 1979 and \$1.8 million of research and development costs as compared to \$1.1 million in 1979. These factors accounted for 5% of the 9% increase . The remainder of the increase resulted from the new U.S. cable systems and slightly lower Canadian margins.

Depreciation and amortization expense has increased \$6,238,000 over 1979 caused by normal growth, the acquisition of the Rogers interests and the newly completed system in Syracuse, New York,

The increase in interest expense from 1979 of \$5,685,000 is attributable to various factors. Interest on the term loans arranged to purchase the Rogers businesses and the shares of Premier Communications accounted for \$4,400,000 of the increase. The remainder resulted from loans obtained to finance U.S. cable construction and expansion as well as the inclusion of one month's interest of Premier.

Famous Players

The Company's share of earnings in Famous Players increased to \$6,902,000 from \$5,484,000 in the prior year. Theatres and rental properties contributed \$5,598,000 in 1980 with the remainder attributable to real estate sales. Theatre revenues increased to \$142 million up 8.7% from 1979 while operating costs increased by 7.9%. Theatre attendance for 1980 increased slightly from 34,051,000 to 34,105,000 and average revenue per attendance increased from \$2.88 to \$3.15. Because Famous Players represents a major investment, their financial statements are included in this report.

Famous Players Limited Selected Statistics

	1977	1978	1979	1980
Theatre attendance (millions)	27.7	29.8	34.1	34.1
Admission revenue per patron	$2.79	$2.88	$2.88	$3.15
Number of theatres and drive-ins *	179	177	175	171
Number of screens *	307	307	309	312

* Consolidated only.

Net Income

Net income increased to $12,025,000 in the current year as compared to $9,830,000 in the prior year. Contributing to this was the extraordinary gain of $3,678,000 on the sale of the shares of Tele-Capital in September, 1979. The Company's equity in the earnings of Famous Players amounted to $6,902,000 as compared to $5,484,000 in the prior year. Earnings from cable operations, other equity income and investment income amounted to $1,445,000 in the current year as compared to $4,346,000 in the prior year. Earnings per share before extraordinary items amounted to 48¢ in 1980 as compared to 60¢ in 1979. Nine cents of this reduction was caused by the decrease in income and 3¢ was caused by the dilutive effect of more shares outstanding. Net earnings per share was 69¢ in 1980.

Capital Expenditures

Capital expenditures increased to $32,409,000 from $17,030,000 in 1979. In 1980, $5,646,000 resulted from the completion of construction of the Syracuse, New York system, and $6,832,000 resulted from construction costs in the Southern California system. Construction costs in Canada included $1,156,000 for the completion of a microwave system linking most cable systems centred along the Macdonald-Cartier freeway, allowing programming transmission among these systems.

Dividends

Dividends of 6-1/4¢ per Class A share and 8-3/4¢ per Class B share were paid in the months of September, December, March and June of the 1980 fiscal year. In July, a special dividend of 10¢ per Class A share was paid in order to facilitate the Class B stock dividend as described under share capital. A dividend payment policy has been announced for the 1981 fiscal year of 6-1/4¢ per quarter on the Class B shares, with no dividend anticipated on the Class A shares.

Long Term Debt

To finance the acquisition of Premier Communications Limited and the purchase of the Rogers businesses, a revolving term bank loan line of $112,525,000 was arranged in July. At August 31, $86,333,000 had been drawn down under that loan. The new term loan in accompaniment with the $15,563,000 long term debt of Premier Communications Limited increased the Company's net long term debt to $113,718,000 at August 31 (net of cash and marketable securities on hand)

In September 1980, a 9% $50 million convertible unsecured debenture was issued and the net proceeds used to reduce the amount outstanding on the new term loan. The debenture is convertible into Class B shares. By November 27, approximately $10 million of this debenture had been converted into Class B shares.

Share Capital

Of the common share warrants outstanding last year, 90% were exercised by the end of December, 1979 adding $13,600,000 in additional paid up capital and cash inflow to Cablesystems. An amount of $12,748,000 has been transferred to paid up capital from retained earnings representing the excess of the redemption price of shares redeemed over the paid up capital of those shares at date of redemption.

A stock dividend was declared to Class A and Class B shareholders of record July 24, 1980 and distributed August 5, 1980 on the basis of one Class B share for each Class A or Class B share previously held. This increased the number of Class B shares outstanding to approximately 10 million and has facilitated stock trading on the Canadian exchanges and the over-the-counter NASDAQ system.

Areas of Activity

Cablesystems Holdings
(100% owned unless indicated)

CABLE TV CANADA

Province of Ontario*

Rogers Cable TV, Toronto**
Grand River Cable TV, Kitchener
London Cable TV, London
Hamilton Co-Axial, Hamilton
Rogers Cable TV, Mississauga
Rogers Cable TV, Brampton
Pine Ridge Cable TV, Oshawa
Jarmain Cable TV, Brantford
Cornwall Cablevision, Cornwall
Chatham Cable TV Limited, Chatham
Jarmain Cable TV, Newmarket
Essex Cable TV, Leamington

Province of Alberta

Community Antenna Television Ltd., Calgary

Province of British Columbia

Vancouver Cablevision Limited, Vancouver
Victoria Cablevision Ltd., Victoria
Fraser Cablevision Limited, Coquitlam
Western Cablevision Limited, Surrey (45% owned)
M.S.A. Cablevision Limited, Abbotsford (45% owned)

* After giving effect to purchases and sales of licenced areas in Toronto and Kingston ("rationalization")

** Formerly Rogers Cable TV Limited, Metro Cable TV, Keeble Cable Television Limited and York Cablevision Limited

CABLE TV UNITED STATES

Syracuse Cablesystems, Syracuse, New York (67% owned)
Dickinson Pacific Cablesystems, Huntington Beach, Fountain Valley & Westminster, California (50% owned)
Rossmoor Cablesystems, Orange County, California

CABLE TV SOUTHERN IRELAND

Marlin Communal Aerials Limited, Dublin (75% owned)
Waterford Cablevision Limited, Waterford (68% owned)

PAY TV CANADA

TWC Television, Toronto
Pre-Vue, Vancouver

OVER-THE-AIR PAY TV UNITED STATES

Northwest Entertainment Network Inc. (50% owned), Seattle, Washington Portland, Oregon
California Satellite Systems Inc. (50% owned), Sacramento, California
Premier Communications Systems Inc., San Francisco, California

COMMUNICATIONS RESEARCH

Cablesystems Engineering, London, Ontario
Premier Communications Research Limited, Vancouver, British Columbia

MOVIE THEATRE AND REAL ESTATE

Famous Players Limited, Canada and France (48.9% owned)

OTHER

Kirk Mailing Services Limited Vancouver, British Columbia
Western Canada T.V. Week, Vancouver, British Columbia (50% owned)
Northwest Sports Enterprises Ltd., (12-1/2% owned) owner of Vancouver Canucks, NHL hockey team

Five Year Financial History

	1976	1977	1978	1979	1980
	$000's except per share amounts				
Income & Cash Flow					
Income before following	$ 3,111	$ 4,156	$ 5,273	$ 4,346	**$ 1,445**
Equity in earnings of Famous Players					
• Theatres & rental properties	2,300	853	2,333	5,010	**5,598**
• Real Estate sales	4,004	2,723	2,285	474	**1,304**
Income before extraordinary items	$ 9,415	$ 7,732	$ 9,891	$ 9,830	**$ 8,347**
Cash flow from operations	$ 9,675	$ 14,468	$ 12,556	$ 14,833	**$ 17,614**
Capital expenditures	7,656	7,392	8,085	17,030	**32,409**
Balance Sheet					
Current assets	$ 9,379	$ 7,819	$ 13,575	$ 16,448	**$ 25,737**
Investments	33,419	34,227	37,545	39,197	**60,328**
Fixed Assets	26,716	33,388	35,457	44,913	**135,222**
Goodwill & deferred charges	19,006	24,791	25,394	25,242	**85,725**
	$ 88,520	$100,225	$ 111,971	$125,800	**$307,012**
Current liabilities	$ 8,113	$ 9,880	$ 12,784	$ 13,957	**$ 44,875**
Long-term debt	12,036	12,481	11,461	14,723	**125,087**
Deferred taxes & exchange gain	3,242	6,188	6,381	6,613	**15,206**
Minority interest	–	–	220	881	**4,665**
Equity	65,129	71,676	81,125	89,626	**117,179**
	$ 88,520	$100,225	$ 111,971	$125,800	**$307,012**
Average shares outstanding [1] (000's)	15,945	15,972	16,059	16,288	**17,418**
Per Share [1]					
Income before extraordinary items	$ .59	$ .48	$ .62	$ .60	**$ .48**
Cash flow from operations	.61	.91	.78	.91	**1.01**
Dividends (declared) Class A	.085	.09	.106	.125	**.144**
Class B	–	–	–	.044	**.194**
Shareholders' equity	4.08	4.47	5.01	5.47	**6.08**
Share Price [2]					
Canada ($Cdn) Class A high	$ 4.53	$ 4.50	$ 4.75	$ 7.13	**$19.50**
low	3.03	2.75	3.00	4.25	**5.38**
Class B high	–	–	–	6.50	**17.00**
low	–	–	–	6.25	**5.50**
U.S. [3] ($U.S.) Class A high	–	–	–	–	**16.88**
low	–	–	–	–	**4.50**
Class B high	–	–	–	–	**14.75**
low	–	–	–	–	**4.38**
Subscribers					
Cable subscribers	386,000	442,000	467,000	503,000	**1,301,000**
Households	502,000	593,000	616,000	664,000	**1,598,000**

[1] Adjusted retroactively for share reorganization and stock dividend

[2] Calendar years-to October 31 for 1980

[3] Representative lowest bid prices and highest ask prices.

Dividends Paid

Adjusted retroactively for share reorganization and stock dividend

		1980 Class A shares	1980 Class B shares	1979 Class A shares
Regular Cash Dividends	First Quarter	**3.13¢**	**4.38¢**	3.13¢
	Second Quarter	**3.13¢**	**4.38¢**	3.13¢
	Third Quarter	**3.13¢**	**4.38¢**	3.13¢
	Fourth Quarter	**3.13¢**	**4.38¢**	3.13¢
Special Cash Dividend	Fourth Quarter	5.0¢	–	–
Special Stock Dividend	Fourth Quarter	**1 Class B share**	**1 Class B share**	–

Cable Subscriber Growth (includes Premier and Rogers on a retroactive basis).

			1976	1977	1978	1979	1980 Before Rationalization	1980 After Rationalization
CANADA	Ontario	1	929,355	946,619	999,265	1,038,119	1,051,986	**875,869**
		2	717,408	731,105	771,956	809,483	841,130	**704,652**
		3	77.2	77.2	77.3	78.0	80.0	**80.5**
	Alberta	1	75,783	80,478	84,738	88,495	93,778	**93,778**
		2	44,738	48,663	52,248	57,786	64,335	**64,335**
		3	59.0	60.5	61.7	65.3	68.6	**68.6**
	British Columbia	1	406,552	421,398	442,338	454,237	468,350	**468,350**
		2	365,170	381,895	397,724	413,167	431,144	**431,144**
		3	89.8	90.6	89.9	91.0	92.1	**92.1**
	Total	1	1,411,690	1,448,495	1,526,341	1,580,851	1,614,114	**1,437,997**
		2	1,127,316	1,161,663	1,221,928	1,280,436	1,336,609	**1,200,131**
		3	79.9	80.2	80.0	81.0	82.8	**83.5**
UNITED STATES	New York	1				31,540	65,000	**65,000**
		2				10,320	27,207	**27,207**
		3				32.7	41.9	**41.9**
	California	1					1,500	**1,500**
		2					220	**220**
		3					14.7	**14.7**
	Total	1				31,540	66,500	**66,500**
		2				10,320	27,427	**27,427**
		3				32.7	41.2	**41.2**
EUROPE	Southern Ireland	1	85,600	87,700	90,189	92,213	94,000	**94,000**
		2	55,171	59,217	63,759	70,042	73,348	**73,348**
		3	64.5	67.5	70.7	76.0	78.0	**78.0**
TOTAL		1	1,497,290	1,536,195	1,616,530	1,704,604	1,774,614	**1,598,497**
		2	1,182,487	1,220,880	1,285,687	1,360,798	1,437,384	**1,300,906**
		3	79.0	79.5	79.5	79.8	81.0	**81.4**

1 Homes passed
2 Subscribers on service
3 Percent penetration

Share Price and Volume [1]
(Calendar Year)

		CLASS A			CLASS B		
		High	Low	Number of Shares Traded	High	Low	Number of Shares Traded
TORONTO AND MONTREAL STOCK EXCHANGES ($CDN)							
1979	1st quarter	$ 5.25	$ 4.25	2,113,000			
	2nd quarter	5.50	4.94	441,800			
	3rd quarter	6.44	5.38	640,200			
	4th quarter	7.13	6.13	814,600	$ 6.50	$ 6.25	3,000
1980	1st quarter	7.00	5.38	1,035,300	6.50	5.50	63,700
	2nd quarter	9.75	6.13	1,813,500	9.13	6.00	79,600
	3rd quarter	12.25	8.38	1,608,533	11.50	8.00	1,598,500
	October	19.50	11.25	675,052	17.00	10.38	1,969,165
NASDAQ ($US) [2]							
1980	March	$ 5.75	$ 4.50	2,000	$ 5.25	$ 4.38	600
	2nd quarter	8.75	4.50	1,066,800	8.25	4.38	52,600
	3rd quarter	10.50	7.50	1,388,933	9.75	7.00	1,246,007
	October	16.88	9.50	763,936	14.75	9.13	2,071,217

[1] Volumes and prices adjusted retroactively for 1979 share reorganization and 1980 stock dividend.

[2] Over-the-counter market. Representative lowest bid prices and highest ask prices.

Consolidated Statement of Earnings

Year ended August 31, 1980

	1980	1979
	$000's	
Revenue (note 2(a))		
Cable services	$58,603	$ 35,856
Rental and sale of converters	7,595	3,859
Pay television	3,832	
	70,030	39,715
Expenses		
Operating, general and administration	47,780	23,469
Amortization of goodwill	846	152
Depreciation	13,119	7,575
Interest on long-term debt	6,737	1,375
Other interest	411	88
	68,893	32,659
	1,137	7,056
Equity in earnings of associated cable companies before income taxes	434	287
Other income	828	827
Minority interest in loss of subsidiary companies	495	49
	2,894	8,219
Investment income	1,683	1,098
Earnings before income taxes	4,577	9,317
Income taxes		
Current	2,179	4,897
Deferred	953	(384)
	3,132	4,513
Earnings from cable operations and investment income	1,445	4,804
Equity in earnings of Famous Players Limited	6,902	5,484
Provision for losses of Tel-Pro Entertainments Inc. (net of recovery of current taxes of $106 and deferred income taxes of $170)		(458)
Earnings before extraordinary items	8,347	9,830
Gain on sale of marketable securities, net of income taxes of $830	3,678	
Net Earnings	$ 12,025	$ 9,830
Earnings per share (note 10)		
Before extraordinary item	$0.48	$0.60
Net earnings	$0.69	$0.60

Canadian Cablesystems Limited

Consolidated Statement of Changes in Financial Position

Year ended August 31, 1980

	1980	1979
	$000's	
Source of funds		
Operations		
Earnings before extraordinary item	$ 8,347	$ 9,830
Items not affecting current funds		
Depreciation	13,119	7,575
Amortization of goodwill	846	152
Deferred income taxes (non-current)	810	232
Equity in earnings of Famous Players Limited and associated companies	(7,193)	(4,940)
Dividends received from Famous Players Limited and associated companies	2,180	2,033
Minority interest in loss of subsidiary companies	(495)	(49)
	17,614	14,833
Increase in long-term debt	95,417	3,982
Issue of shares	94,324	710
Gain on sale of marketable securities, net of income taxes of $830	3,678	
Minority interest's investment in subsidiary companies	225	710
Transfer of investment to current assets		1,538
Reduction in long-term receivable		441
Other		100
	211,258	22,314
Use of funds		
Purchase of shares of Premier Communications Limited plus its working capital deficiency at date of acquisition of $1,324	79,570	
Purchase of cable television, converter rental and hotel pay television businesses plus working capital deficiency at date of acquisition of $650	35,530	
Redemption of shares	75,496	
Additions to fixed assets (net)	32,409	17,030
Increase in long-term receivable	4,217	
Dividends paid and payable	3,300	2,039
Increase in other long-term assets	778	206
Reduction of long-term debt	720	720
Deferred charges	331	
Increase in investment in associated companies	438	
Redemption of preference shares of subsidiary companies owned by minority shareholders	98	
Investment in Tel-Pro Entertainments Inc.		619
	232,887	20,614
Increase (decrease) in working capital position	(21,629)	1,700
Working capital at beginning of year	2,491	791
Working capital (deficiency) at end of year	$(19,138)	$ 2,491

Canadian Cablesystems Limited

Consolidated Balance Sheet as at August 31, 1980

Assets	1980	1979
	$000's	
Current assets		
Cash and short-term notes	$ 9,799	$ 5,182
Marketable securities, at cost (market value 1980, $1,570; 1979, $11,575)	1,570	7,068
Accounts receivable	4,783	2,267
Note receivable (note 2(a))	3,100	
Income taxes recoverable	15	
Inventories of materials at the lower of cost and net realizable value	837	787
Assets held for resale	3,777	
Prepaid expenses	1,856	314
Deferred income taxes		830
	25,737	16,448
Investments		
Long-term receivables (note 4)	4,817	600
Investments (note 5)		
Famous Players Limited	42,338	37,496
Associated companies	10,821	787
Other investments	2,352	314
	60,328	39,197
Fixed assets (note 6)	135,222	44,913
Deferred charges (note 7)	331	
Excess of carrying value of subsidiaries over value of underlying net assets acquired, less amortization	85,394	25,242
	$307,012	$125,800

Approved by the Board

Director

Edw S Rogers Director

Canadian Cablesystems Limited

Liabilities and Shareholders' Equity	1980	1979
	$000's	
Current liabilities		
Bank loan, unsecured	$ 8,690	$ 331
Accounts payable and accrued expenses	17,593	5,897
Payable to Rogers group (note 2(a))	2,712	
Dividend payable	720	515
Current portion of long-term debt	3,455	600
Prepayments for services	11,705	6,614
	44,875	13,957
Long-term debt (note 8)	125,087	14,723
Deferred foreign exchange gain	163	
Deferred income taxes	15,043	6,613
Minority interest	4,665	881
Shareholders' equity		
Capital stock (note 9)	62,705	30,129
Share purchase warrants		1,000
Reorganization surplus	6,235	6,235
Retained earnings	48,239	52,262
	117,179	89,626
	$307,012	$125,800

Long-term leases (note 13)
Contingent liabilities (note 14)
Subsequent events (note 15)

Canadian Cablesystems Limited

Consolidated Statement of Retained Earnings

Year ended August 31, 1980

	1980	1979
	$000's	
Balance at Beginning of year	**$ 52,262**	$ 59,640
Net earnings	**12,025**	9,830
	64,287	69,470
Excess of purchase price over stated capital of Class A and Class B shares purchased for cancellation	**12,748**	
Deemed dividend on capitalization of retained earnings		15,169
Dividends		
Class A shares	**2,505**	2,027
Class B shares	**795**	12
	16,048	17,208
Balance at end of year	**$ 48,239**	$ 52,262

Auditors' Report

To the Shareholders of
Canadian Cablesystems Limited

We have examined the consolidated balance sheet of Canadian Cablesystems Limited as at August 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the reports of other auditors who have examined the consolidated financial statements of Famous Players Limited and Premier Communications Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at August 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The 1979 comparative figures are based on financial statements reported upon by other auditors.

Toronto, Canada
November 14, 1980

Thorne Riddell

Chartered Accountants

Notes to Consolidated Financial Statements

1. ACCOUNTING POLICIES

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with generally accepted accounting standards in Canada which conform in all material respects with International Accounting Standards.

(b) Consolidation

(i) The consolidated financial statements include the accounts of the Company and all its subsidiaries.

(ii) The Company's investments in Famous Players Limited (48.9% owned) and other companies in which the Company has a substantial investment but not greater than 50% are accounted for on the equity basis provided the Company is able to exercise significant influence over the affairs of these companies. Accordingly, the Company's equity in the earnings of these companies is included in the consolidated statement of earnings.

(iii) The Company reports its equity in the earnings of Famous Players Limited on a two-month delay basis. The Company's equity in the earnings of Famous Players Limited is based on earnings for the year ended June 30.

(c) Capitalization policy

Costs incurred directly in connection with the application for new franchises are written off as an expense in the year incurred.

During the development, pre-operating and pre-maturity phases of new systems, all direct costs including interest together with a portion of overhead costs are deferred and amortized. The pre-maturity period generally ends at the earlier of two years from the time of the first subscriber revenue or the completion of construction of the distribution system. The pre-maturity period may extend beyond two years for systems being built in large urban areas.

During construction or rebuilding phases of existing systems, only direct costs are capitalized and all interest and overhead costs are expensed in the year incurred.

Leases that transfer substantially all of the benefits and risks of ownership are accounted for by the Company as capital leases. Accordingly, the asset value and related liability are recorded in the financial statements.

(d) Depreciation

The cable, plant and other fixed assets are depreciated over their estimated useful lives as follows:

Buildings	5% diminishing balance
Towers and head-ends	15% straight line
Distribution cable	10% straight line
Electronic equipment	15% straight line
Subscriber drops and devices	10% straight line
Converters	20% straight line
Other equipment	mainly 20% and 30% diminishing balance
Leasehold improvements	over the term of the lease
Pre-maturity costs	10% straight line

(e) Income and expenses

Income from cable services includes earned subscriber service revenue and charges for installations and connections. Subscriber service paid in advance is taken into income as earned. The cost of the initial subscriber installation is capitalized as part of the distribution system. Costs of subsequent disconnections and reconnections are expensed.

(f) Foreign exchange

The accounts of foreign subsidiary companies have been translated into Canadian dollars on the following basis:

Monetary assets and liabilities at the year end rates of exchange. Non-monetary assets and depreciation at historical rates. Revenue and expense items, other than depreciation, at the average rate for the year.

Gains or losses on translation of non-current monetary assets and liabilities at current rates are deferred and amortized over the remaining life of the respective assets and liabilities; all other exchange gains or losses are included in income.

(g) Deferred charges

Deferred charges include computer development costs and costs of arranging financing. These costs are amortized over their estimated useful lives.

(h) Goodwill

The excess of cost of shares in subsidiary and associated companies over the value of underlying net assets which arose prior to March 31, 1974 is not amortized unless the value is impaired. Goodwill arising subsequent to that date amounting to $65,908,000 as at August 31, 1980 is being amortized over a 40 year period.

(i) Research and development costs

Research costs are expensed in the year incurred. Development costs are expensed in the year incurred unless the Company believes the development project is technically feasible and a future market exists for the service.

(j) Pensions

Current service pension costs are expensed in the year incurred. Based on the most recent actuarial valuation dated as of August 31, 1979, the Company has no liability for unfunded past service pension liabilities.

2. ACQUISITIONS

(a) Rogers businesses

Effective September 1, 1979 the Company purchased certain of the cable television and converter rental businesses and the entire hotel pay television business of Rogers Cable T.V. Limited and TWC Television Limited, being companies controlled by Mr. Edward S. Rogers, Vice-Chairman and Chief Executive Officer of the Company. This purchase was approved by shareholders at a special meeting held on October 19, 1979 and by the Canadian Radio-television and Telecommunications Commission (CRTC) on January 22, 1980. The purchase price was $34,880,000 of which $9,727,000 was satisfied by cash and $25,153,000 by the issuance of 2,263,996 Class A shares at $11.11 per share.

In conjunction with this purchase, the following additional transactions were entered into by the Company:

(i) To simplify management of the operations, the Company agreed to purchase certain tangible assets in licencee areas that are under contract to be sold to third parties by September 1, 1980. Consideration for this purchase involved the issuance by the Company of 3,777 Series II preferred shares for a total of $3,777,000. These preferred shares carried no dividend, were retractable and could be redeemed by the Company at any time six months subsequent to their issuance. These Series II preferred shares were redeemed on August 29, 1980 (note 9(a)).

One of these contracts of sale was scheduled to be closed by the Rogers group on February 29, 1980. At the request of the Company, the Rogers group and the purchaser agreed to extend closing until August 31, 1980. The indebtedness owing to the Rogers group of $3,100,000 as a result of this sale was assigned to the Company on March 1, 1980 and the Company issued a promissory note payable to the Rogers group bearing interest at the prime rate payable September 1, 1980. This note was applied by the Rogers group to repay advances owing to the Company.

In addition to purchasing these fixed assets in licenced areas to be sold, the Company agreed to manage the business in these areas. As consideration for these management services, the Company was entitled to a fee equal to the excess of revenues over costs generated from subscribers in these licencee areas. This management agreement terminated August 31, 1980.

(ii) In a separate transaction, the Company purchased for cancellation 2,263,996 of its Class A shares at $11.11 each from related companies being the same price per share as that paid to the Rogers group by the Company. To further provide for the purchase of the Rogers group assets, the Company agreed to acquire the minority interests in TWC Television Limited for $3,330,467. Consideration for this purchase was the issuance by the Company of 299,772 Class A Shares at $11.11 per share. The Company then sold this minority interest for $3,330,467.

(iii) The ultimate effect of these transactions is to provide for the purchase of the Rogers group assets with no dilution in the outstanding Class A shares of the Company.

(b) Premier Communications Limited

In the fall of 1979 the Company purchased approximately 16% of the outstanding shares of Premier Communications Limited (Premier). On November 23, 1979, the Company agreed to purchase the approximately 50.4% (1,682,366 shares) interest in Premier from its controlling shareholders, subject to approval of the CRTC. On December 28, 1979, the Company agreed with CBS Inc. to purchase its approximate 18.4% (615,040 shares) interest in Premier, also subject to the foregoing CRTC approval. An aggregate of $3,890,960 was paid to the controlling shareholders and $1,500,000 to CBS Inc. as compensation for the inability of these persons to deal with their respective shares of Premier pending CRTC approval and for their assistance to the Company in its application to the CRTC.

On July 30, 1980 the CRTC approved the transfer of control of Premier to the Company. On the closing with the Premier controlling shareholders and CBS Inc. on August 1, 1980, the Company paid $15,756,150 cash and issued 1,667,160 Series I preferred shares. These shares were subsequently redeemed for cash of $41,679,000.

On August 11, 1980, the Company made a tender offer to all shareholders of Premier to acquire their shares for the same purchase price offered to the controlling shareholders. The purchase price, was at the option of each Premier shareholder: (i) $25.00 cash per share; (ii) one Series I preferred share of the Company, which will be redeemed shortly after issue at $25.00 per share; or (iii) three Class B non-voting participating shares of the Company. At the close of business on August 31, 1980 the Company had acquired under the offer 159,035 of the 496,371 outstanding common

Notes to Consolidated Financial Statements

2. (b) ACQUISITIONS (con'd)

shares of Premier not owned by it for an aggregate consideration of $1,396,500 cash, 48,195 Series I preferred shares and 164,940 Class B shares.

Subsequent to August 31, 1980 the Company acquired a further 323,846 shares of Premier under the terms of this offer to bring its ownership of Premier to 99.6%.

(c) The Rogers businesses which were acquired are comprised of cable television and converter rental operations located largely in Metropolitan Toronto as well as a hotel pay television business in Metropolitan Toronto. Premier Communications Limited has cable television systems in British Columbia, Ontario and Ireland as well as pay television systems in the United States. The acquisition of the Rogers businesses and Premier have been accounted for on the purchase method with the results of operations included in these financial statements from September 1, 1979 and August 1, 1980 respectively.

The acquisition equation is as follows:

	Rogers Businesses	Premier Communications Limited	Total
		$000's	
Net assets acquired, at fair value			
Current assets	$ 671	$ 12,133	$12,804
Fixed assets	14,009	57,010	71,019
Other assets		10,685	10,685
	14,680	79,828	94,508
Current liabilities	1,321	13,457	14,778
Long-term debt		15,830	15,830
Deferred taxes		7,620	7,620
Minority interest		2,617	2,617
	1,321	39,524	40,845
	13,359	40,304	53,663
Goodwill	21,521	37,942	59,463
	$34,880	$78,246	$113,126
Consideration			
Cash	$ 9,727	$33,988	$43,715
Class A shares	25,153		25,153
Class B shares		1,374	1,374
Series I preferred shares		42,884	42,884
	$34,880	$78,246	$113,126

The Series I preferred shares were redeemed for cash of $42,884,000 prior to the year end. The cash for this redemption and a portion of the cash paid for the shares was obtained from term bank loans (note 8(ii)).

3. INVESTMENT IN DICKINSON PACIFIC CABLESYSTEMS

During the year the Company, through a wholly owned subsidiary, entered into a partnership with Dickinson Communications Ltd. (DCL) to build a cable system in the Southern California cities of Westminster, Huntington Beach and Fountain Valley. Each party has a 50% interest in the partnership, Dickinson Pacific Cablesystems. However, a management service contract expiring November 30, 1984 gives the Company total authority and responsibility to construct and operate the cable franchise of the partnership. The partnership agreement contains an option whereby the Company may purchase or may be required to purchase DCL's 50% interest in the partnership at a price to be negotiated. The option or the requirement to purchase cannot be exercised prior to October 1, 1984. Accordingly, the accounts of the partnership are consolidated herein.

4. LONG-TERM RECEIVABLES

	1980	1979
	$000's	
Receivable under share purchase plans, including 1980, $1,331; 1979, $279 from officers and directors	**$4,926**	$807
Miscellaneous notes and loans receivable	**131**	32
	5,057	839
Less current portion included in accounts receivable	**240**	239
	$4,817	$600

5. INVESTMENTS

(a) Famous Players Limited

The carrying value of the Company's investment in Famous Players Limited (48.9% owned) at August 31, 1980 is equal to its equity in the net assets of that company as at June 30, 1980.

(b) Associated companies

The carrying value of the Company's investments in associated companies is equal to their written-up fair values at January 3, 1971 with subsequent additions at cost, plus the Company's equity in undistributed earnings since that date or since acquisition.

The excess of the carrying value of the Company's investment in associated companies over its equity in the value of the underlying net assets amounted to $7,963,000 at August 31, 1980 (1979, $355,000). The majority of this excess is being amortized over its estimated useful life.

(c) Other investments

The carrying value of the Company's other investments is equal to their written-up fair values at January 3, 1971 plus subsequent additions at cost. Included in other investments is a guarantee deposit maintained by the Company with the Allied Irish Investment Bank in the amount of $603,000 retained as security for bank indebtedness and security deposits, bonds and franchise fee deposits in the amount of $596,000.

Notes to Consolidated Financial Statements

6. FIXED ASSETS, at cost

	1980	1979
	$000's	
Land and buildings	$ 6,355	$ 3,487
Towers and head-ends	7,135	2,707
Distribution cable	87,583	27,174
Electronic equipment	25,506	14,352
Subscriber drops and devices	30,983	24,174
Converters	7,698	3,925
Other equipment	16,018	9,637
Leasehold improvements	2,543	1,398
Construction in progress	3,211	2,142
Pre-maturity costs	4,306	1,742
	191,338	90,738
Less accumulated depreciation and amortization	56,116	45,825
	$135,222	$44,913

The major part of the Company's investment in distribution cable in Ontario is held under leases from Bell Canada expiring at various dates with original minimum terms of 10 years.

7. DEFERRED CHARGES

	1980	1979
	$000's	
Deferred financing costs	$ 288	$
Computer development	43	
	$ 331	$ Nil

8. LONG-TERM DEBT

	1980	1979
	$000's	
(i) Series A 11-3/4% Sinking Fund Debentures, due March 31, 1996	$ 10,560	$11,280
(ii) Term bank loans, Canadian Cablesystems Limited	86,333	
(iii) Promissory note payable to the Mutual Life Insurance Company of New York	12,501	
(iv) Promissory note payable to Chemco Canada Limited	4,000	
(v) Loan payable to the Allied Irish Investment Bank	777	
(vi) Term bank loans, Dickinson Pacific Cablesystems	5,206	
(vii) Term bank loans, Syracuse Cablesystems	6,942	3,495
(viii) Term bank loans, Canadian Cablesystems (Metro) Limited	925	
(ix) Other long-term debt	1,298	548
	128,542	15,323
Less current portion of long-term debt	3,455	600
	$125,087	$14,723

(i) The Series A Debentures were issued by a wholly owned subsidiary of the Company, Canadian Cablesystems (Metro) Limited ("Metro"). The Debentures are secured by a floating charge on the undertaking and assets of Metro and are guaranteed by Canadian Cablesystems (Ontario) Limited, a subsidiary company in the amount of $4 million, which guarantee is secured by a floating charge over the assets and undertaking of that company. The Debentures are redeemable at the option of Metro and must be retired by sinking fund payments in the amount of $600,000 annually on March 31, 1981 to 1995 and a final payment of $1,560,000 on March 31, 1996.

(ii) As at August 31, 1980, the Company has a revolving term line of credit totalling $101,000,000 obtained to facilitate the Rogers group asset transactions and the purchase of Premier Communications Limited (note 2). This revolving term line of credit is converted to term loans effective September 1, 1983 with no principal repayments required prior to that date at which time these loans must be repaid on a quarterly basis over seven years. These loans bear interest at the prime rate plus 1/4% per annum and in addition a standby fee of 1/4% per annum is charged on that portion of the loans not advanced to the Company. The loans are secured by the pledge of all the shares of Canadian Cablesystems (Metro) Limited, Tel-Pro Entertainments Inc., Premier Communications Limited and Famous Players Limited owned by the Company. The loans provide for certain restrictions on the Company operations principally related to the alteration of share capital of subsidiary shares pledged as security.

These bank loans been reduced by the net proceeds of $48,875,000 received from the sale of convertible debentures subsequent to the year end (note 15(b)).

(iii) This promissory note payable by Premier Communications Limited, bears interest at 9-1/8% and is repayable in U.S. dollars. The loan is repayable in annual instalments of $450,000 (U.S.) in 1981 and 1982 and $990,000 (U.S.) in 1983 to 1992.

(iv) This promissory note payable by Premier Communications Limited bears interest at 10% and is repayable in Canadian dollars. The loan is repayable in annual instalments of $1,000,000 in 1981 to 1984.

(v) The loan payable to the Allied Irish Investment Bank is secured by a debenture creating a floating charge on all the property, undertakings and assets of an Irish subsidiary company plus a guarantee deposit in the amount of $603,000. The loan bears interest at rates varying from 2% to 3% above the Dublin Inter-Bank rate and is repayable in annual instalments of 80,000 Irish pounds in 1981 and 240,000 Irish pounds in 1982.

(vi) Dickinson Pacific Cablesystems has arranged long-term financing in the amount of U.S. $18,000,000. At August 31, 1980 U.S. $4,500,000 (Cdn. $5,206,000) had been drawn down under the credit agreement.

The loans bear interest at the California prime rate plus 1-1/2% and in addition a standby fee of 1/4% is charged on that portion of the loans not advanced to the partnership. The loans are secured by the assets of Dickinson Pacific Cablesystems and a guarantee of the Company in the amount of U.S. $4 million. Principal repayments are required quarterly on a percentage of the amount drawn down beginning in 1983. On the basis that the loans have been fully drawn down, principal repayments amount to U.S. $1,200,000 in 1983, U.S. $2,400,000 in 1984 and U.S. $3,600,000 in each of the years from 1985 to 1988.

(vii) Syracuse Cablesystems has arranged long-term financing totalling U.S. $8,200,000 from a consortium of three banks. At August 31, 1980 U.S. $6,000,000 (Cdn.$6,942,000)

Notes to Consolidated Financial Statements

8. (vii) **LONG-TERM DEBT** (con'd)

had been drawn down. The loans bear interest at New York prime plus 1-1/4% and, in addition a standby fee of 1/4% is charged on that portion of the loans not advanced. The loans are secured by the assets of Syracuse Cablesystems. On the basis that the loans have been fully drawn, principal repayments amount to U.S. $300,000 in 1982, U.S. $600,000 in 1983, U.S. $1,800,000 in 1984, U.S. $3,000,000 in each of 1985 and 1986 with the balance due in 1987.

(viii) Canadian Cablesystems (Metro) Limited has term loans bearing interest at the prime rate plus 1% per annum maturing November 30, 1986. However, this loan was repaid subsequent to the year end and has been recorded as current portion of long-term debt.

(ix) Included in other long-term debt is an obligation of the Company, in the amount of $406,000 in respect of a long-term lease expiring in 1994.

(x) Principal repayments due within each of the next five years on all long-term debt are as follows:

1981	**$ 3,455**
1982	**3,066**
1983	**3,805**
1984	**14,176**
1985	**14,913**
	39,415
Due after 1985	**89,127**
	$128,542

9. CAPITAL STOCK

Rights and conditions

Unlimited number of preferred shares without par value, issuable in series, with rights and terms of each series to be fixed by the directors prior to the issue of each series.

Unlimited number of voting Class A shares without par value, convertible into Class B non-voting shares on a share for share basis until August 31, 1983. The Class A shares may receive a dividend at an annual rate of up to 35 cents per share only after the Class B shares have been paid a dividend at an annual rate of 35 cents per share.

Unlimited number of non-voting Class B shares without par value. The Class A and Class B shares will share equally in dividends after payment of a dividend of 35 cents per share for each class.

Issued	**1980**	1979
	$000's	
8,593,734 Class A shares (1979, 8,188,222)	**$53,592**	$30,129
10,681,610 Class B shares (1979, nil)	**9,113**	
	$62,705	$30,129

(a) During the year ended August 31, 1980 the Company effected the following share transactions:

(1) 3,777 Series II preferred shares were issued to purchase certain tangible assets of the Rogers group (note 2). These shares were redeemed for cash of $3,777,000 on August 29, 1980.

(2) The Company issued 1,123,013 Class A shares under the terms of the share purchase warrants outstanding for cash of $13,622,000. The $1,000,000 previously paid for share purchase warrants was then transferred to capital stock.

(3) The Company issued 2,263,996 Class A shares as partial consideration for the purchase of the Rogers group assets (note 2).

(4) The Company issued 299,772 Class A shares to purchase the minority interests of TWC Television Limited (note 2).

(5) The Company purchased for cancellation from the Rogers Group 2,563,768 Class A shares for cash of $28,483,000 of which $12,498,000 has been charged to retained earnings.

(6) 727,321 Class A shares were converted into 727,321 Class B shares during the period at a conversion value of $3,728,000.

(7) 27,040 Class B shares were purchased for cancellation during the period for cash of $352,000 of which $250,000 has been charged to retained earnings.

(8) 9,820 Class A shares and 520 Class B shares were issued under the terms of an Executive Stock Option Plan for a total consideration of $71,000 for Class A shares and $2,000 for Class B shares.

(9) During 1980 the Board of Directors allotted and issued 267,687 Class B shares of the Company under the terms of the 1980 Management Share Purchase Plan. These shares were issued at a price of $15.75 for a total consideration of $4,111,000. The plan provides for the sale of shares to a trustee on a non-interest bearing loan basis. The loan is to be repaid to the Company over a ten year period. The Board of Directors may from time to time authorize the grant of additional purchase rights under this plan to designated employees.

(10) A stock dividend of one Class B share per each Class A and Class B share outstanding was declared by the Board of Directors on July 15, 1980 payable August 5, 1980. This stock dividend resulted in the issuance of an additional 9,548,182 Class B shares of the Company.

(11) 1,715,355 Series I preferred shares were issued and redeemed for cash of $25.00 per share to facilitate the purchase of shares of Premier Communications Limited.

(12) 164,940 Class B shares were issued to purchase 54,980 shares of Premier Communications. These shares were issued at a value of $1,374,000.

(b) The Articles of Continuance of the Company under the Canada Business Corporations Act impose restrictions on the transfer, voting and issue of the voting Class A shares in order to ensure that the Company remains qualified to hold or obtain any licence pursuant to the Broadcasting Act (Canada) and any licence required to carry on a cable television or similar undertaking.

(c) At August 31, 1980, 21,004 Class A shares and 21,004 Class B shares were subject to issuance under the Executive Stock Option Plan. All options expire by 1983. In addition, the Company has set aside 130,000 Class B shares for issuance under an Employee Share Purchase Plan. Subsequent to the year end, the Company issued 129,270 Class B shares under the terms of this plan for $950,000. These shares must be paid for by the employees within two years of issuance.

(d) The Board of Directors also declared a special dividend of 10¢ per Class A share payable August 4, 1980 and announced its intention to declare dividends of 25¢ per Class B share during the 1981 fiscal year. Since the Class B shares will not receive their 35¢ per share per year priority dividend it is anticipated that no dividend will be paid in the 1981 fiscal year on the Class A shares. In addition to the above, Articles of Amendment have been issued extending the time limit for conversion from Class A to Class B shares from December 31, 1980 to August 31, 1983.

10. EARNINGS PER SHARE

Earnings per share have been calculated based on the weighted average number of shares outstanding during the year.

In addition, earnings per share have been restated to give effect to the stock dividend declared July 15, 1980 of one Class B share for each Class A and Class B share outstanding on July 24, 1980 (note 9(a)(10)).

Notes to Consolidated Financial Statements

11. SEGMENTED INFORMATION

The Company operates cable television systems and pay television systems in Canada, the United States and Europe. For reporting purposes the pay television systems are not yet mature enough to be considered an industry segment. Accordingly only geographical segments are presented herein.

1980	Canada	United States	Europe	Consolidated Totals
Revenue	$ 65,264	$ 4,434	$ 332	$70,030
Net income (loss)	$ 12,613	$ (718)	$ 130	$ 12,025
Total assets	$265,507	$29,033	$12,472	$307,012
1979				
Revenue	$ 39,245	$ 470		$ 39,715
Net income (loss)	$ 10,055	$ (225)		$ 9,830
Total assets	$ 115,567	$10,233		$125,800

12. RESEARCH AND DEVELOPMENT COSTS

During the year the Company incurred $1,812,000 (1979, $1,140,000) of research and development expenses. To date the Company has deferred no portion of development expenses.

13. LONG-TERM LEASES

(a) The Company has entered into various lease agreements for the rental of premises, distribution facilities and microwave towers. These leases have been accounted for as operating leases. Based upon all operating leases in force at the fiscal year end the minimum amount that will be incurred by the Company and its subsidiaries as annual rental during the 1981 fiscal year will be $4,790,000. The aggregate amount that will be paid under lease arrangements now in force is approximately $15,600,000.

(b) Rental expense for the year ended August 31, 1980 was $3,387,000 (1979, $1,437,000).

14. CONTINGENT LIABILITIES

Under the reorganization effective January 3, 1971 Famous Players Limited assumed liability under all leases pertaining to the theatre business, and provided the Company with a formal indemnity against any loss in this regard. While the Company has been released from its obligations under some of these leases, there are still many lease commitments under which it remains contingently liable. The Company's management, however, believes that the Company will incur no liability under these outstanding lease commitments.

15. SUBSEQUENT EVENTS

(a) As a condition of the approval to purchase Premier the Company has agreed to a plan whereby the Company and Premier would sell approximately 70,000 cable subscribers net to other cable companies primarily to rationalize cable systems along municipal boundaries. This disposition took place in September, 1980 and will generate gross cash proceeds to the Company of approximately $14,700,000. In addition, 70,000 cable subscribers which are managed by the Company will be disposed of at the same date.

(b) On September 9, 1980 the Company entered into an agreement with McLeod Young Weir Limited for the sale of $50,000,000 principal amount of 9% convertible subordinated debentures to mature October 1, 2000. The estimated net proceeds of $48,875,000 were utilized to reduce the term bank loans (note 8(ii)). These debentures are unsecured and are convertible into Class B shares at the holders' option at any time prior to October 1, 1985 at $10.15 per share, and thereafter to October 1, 1990 at $11.05 per share. The debentures cannot be redeemed prior to October 1, 1983 and thereafter cannot be redeemed in the period ending October 1, 1985 unless the weighted average price at which the Class B shares of Cablesystems traded on the Toronto Stock Exchange for 20 consecutive trading days exceeded 125% of the conversion price of the debentures.

The Company is required to make mandatory sinking fund payments in the amount of 5% of the debentures outstanding on October 1, 1990 in each of the years 1991 to 1999.

(c) Subsequent to August 31, 1980 subsidiary companies obtained the right to negotiate franchise agreements for two United States cable television systems. These systems are located in Portland, Oregon and certain suburbs of Minneapolis. Should the Company finalize these franchise agreements and build these systems they will, under the terms of partnership agreements, own 50% of the Portland system and 75% of the Minneapolis system. It is anticipated the cost to build the Portland system will be U.S. $31.5 million of which U.S. $6 million will be financed by equity ($3 million by the Company and $3 million by the other partners) and the remainder principally by bank debt. The suburban Minneapolis system is estimated to cost U.S. $20 million of which U.S. $4 million will be financed by equity ($3 million by the Company and $1 million by the other partners) and the remainder principally by bank debt.

(d) In November of 1980 the Company agreed under a letter of intent to purchase the 55% of the shares of Western Cablevision Limited not presently owned at a cost of approximately $8.5 million. The cost is subject to additional payments should subscriber levels exceed target levels set at August 31, 1985. The purchase is conditional upon the approval of the Canadian Radio-television and Telecommunications Commission.

Consolidated Balance Sheets

Assets

	June 30	
	1980	1979
	$000's	
Current assets:		
Cash and deposit receipts	**$ 2,110**	$ 1,113
Accounts receivable, including current portion of mortgages receivable, and net of allowance for doubtful accounts	**1,428**	2,162
Due from affiliated companies	**16**	989
Inventories, at the lower of cost or net realizable value	**3,210**	2,731
Prepaid expenses and other current assets	**9,651**	9,833
Total current assets	**16,415**	16,828
Fixed assets:		
Land and buildings	**98,187**	99,286
Equipment and leaseholds	**59,320**	55,486
Construction in progress	**22,001**	1,619
	179,508	156,391
Accumulated depreciation & amortization	**(56,487)**	(54,436)
Net fixed assets	**123,021**	101,955
Other assets:		
Investments in associated companies and joint enterprises	**4,060**	7,388
Notes and mortgages receivable, due after one year (Note B)	**6,323**	4,439
Bond proceeds held in trust	**2,992**	—
Excess of cost of subsidiaries over their underlying book value	**1,499**	1,499
Total other assets	**14,874**	13,326
	$154,310	$132,109

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity

	June 30	
	1980	1979
	$000's	
Current liabilities:		
Bank indebtedness	**$ 4,517**	$ 2,722
Accounts payable	**9,687**	9,007
Due to affiliated companies	**372**	1,827
Current portion of long term debt	**3,893**	2,221
Income taxes payable	**2,895**	4,447
Accrued expenses and other current liabilities	**5,562**	4,720
Total current liabilities	**26,926**	24,944
Non-current liabilities:		
Long term debt, less current portion (Note C)	**27,808**	18,779
Deferred income taxes	**8,603**	7,015
Other non-current liabilities	**4,205**	4,427
Total non-current liabilities	**40,616**	30,221
Minority interest	**102**	189
Shareholders' equity:		
Capital stock		
Common shares, no par value		
Authorized-10,000,000 shares		
Issued - 7,178,288 shares	**32,934**	32,934
Contributed capital	**6,635**	6,635
Retained earnings	**47,097**	37,186
Total shareholders' equity	**86,666**	76,755
	$154,310	$132,109

Contingencies (Note D)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board

Director

Edw S Rogers

Director

Consolidated Statements of Earnings

	Years ended June 30	
	1980	1979
	$000's	
Revenue:		
Theatre operations	**$142,245**	$130,880
Property rental and hotel operations	**9,823**	9,199
	152,068	140,079
Costs and operating expenses:		
Theatre operations	**117,175**	108,552
Property rental and hotel operations	**7,134**	7,334
Corporate expenses	**7,231**	6,863
	131,540	122,749
	20,528	17,330
Other operating income-net	**1,457**	1,602
Equity in earnings (losses) before income taxes of associated companies and joint enterprises	**(68)**	475
Operating income	**21,917**	19,407
Gain on sale of property (Note E)	**1,748**	1,245
Other non-operating income (expense)	**83**	(59)
Interest expense, net of interest income	**(143)**	(717)
Earnings before income taxes	**23,605**	19,876
Provision for income tax expense:		
Current	**7,233**	6,295
Deferred	**1,588**	1,687
On equity earnings	**475**	439
	9,296	8,421
Net earnings before minority interest	**14,309**	11,455
Minority interest in net earnings of subsidiaries	**180**	228
Net earnings	**$ 14,129**	$ 11,227

Consolidated Statements of Retained Earnings

	Years ended June 30	
	1980	1979
	$000's	
Retained earnings, at beginning of year	**$ 37,186**	$ 30,069
Net earnings for the year	**14,129**	11,227
	51,315	41,296
Dividends declared	**4,218**	4,110
Retained earnings, at end of year	**$ 47,097**	$ 37,186

See accompanying notes to consolidated financial statements.

FAMOUS PLAYERS THEATRES

Famous Players Limited and Subsidiaries

Consolidated Statements of Sources and Uses of Cash

	Years ended June 30	
	1980	1979
	$000's	
Sources of cash:		
Operations		
Net earnings	**$ 14,129**	$ 11,227
Add (deduct) non-cash items		
Depreciation and amortization of fixed assets	**5,403**	5,198
Deferred income taxes	**1,588**	1,687
Minority interest in net earnings of subsidiaries	**180**	228
Share of net earnings of associated companies	**(660)**	(499)
Non-operating expense (income)	**(83)**	59
	20,557	17,900
Dividends received from associated companies	**335**	336
Total cash from operations	**20,892**	18,236
Industrial revenue bond-net of proceeds held in trust	**8,192**	—
Increase in bank and other indebtedness	**30,336**	6,395
Disposal of investment in associated companies	**—**	61
Book value of property and other fixed assets sold	**6,482**	290
Instalments on mortgages	**925**	2,193
Total sources of cash	**$ 66,827**	$ 27,175
Uses of cash:		
Expenditures for fixed assets	**$ 24,144**	$ 7,778
Repayment of long term debt	**35,718**	15,361
Investments in associated companies and joint enterprises	**698**	77
Increase (decrease) in advances to associated companies-net	**(637)**	943
Payment to minority shareholders	**232**	249
Additions to mortgages receivable	**2,130**	708
Payment of dividends	**4,218**	4,514
Reduction in net payables to affiliated companies	**481**	61
Net change in other assets and liabilities	**(1,154)**	(479)
Total uses of cash	**$ 65,830**	$ 29,212
Increase (decrease) in cash	**$ 997**	$ (2,037)
Opening cash balance	**1,113**	3,150
Closing cash balance	**$ 2,110**	$ 1,113

See accompanying notes to consolidated financial statements.

Auditors' Report

To the Shareholders,
Famous Players Limited.

We have examined the consolidated balance sheets of Famous Players Limited and its subsidiaries as at June 30, 1980 and June 30, 1979 and the related consolidated statements of earnings and retained earnings and sources and uses of cash for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Famous Players Limited and its subsidiaries at June 30, 1980 and June 30, 1979 and the consolidated results of their operations and consolidated sources and uses of their cash for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

August 6, 1980

Chartered Accountants

FAMOUS PLAYERS THEATRES

Famous Players Limited and Subsidiaries

Notes to Consolidated Financial Statements June 30, 1980 and June 30, 1979

Note A SIGNIFICANT ACCOUNTING POLICIES:

(i) Principles of consolidation
The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries.

Investments in associated companies and unincorporated joint enterprises (20% to 50% owned) are recorded on the equity basis of accounting. The equity in earnings before income taxes of these entities is included in operating income and related income taxes of these companies is included in the provision for income taxes.

(ii) Fixed assets
Fixed assets are primarily carried at cost. For buildings that the Company constructs and operates, costs include interest, property taxes, legal fees and other related carrying charges during the construction period; in the case of real estate rental buildings, cost also includes operating costs and revenues during the initial leasing periods. Betterments and renewals are capitalized, unless they do not add to, or restore, the useful life of the property. Expenditures for maintenance and repairs are expensed as incurred.

(iii) Depreciation and amortization of fixed assets
Depreciation on buildings is recorded on a straight-line basis over the estimated useful lives of the buildings, except real estate rental buildings which are depreciated using the 5% sinking fund method based on their estimated useful lives. Depreciation on equipment is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized in equal instalments over the terms of the leases. Depreciation of property and equipment amounted to $5,403,000 for the year ended June 30, 1980 (1979-$5,198,000).

(iv) Income taxes
Provision for income taxes includes deferred taxes, which represent future tax effects of items reported for income tax purposes in periods different from when reported in the financial statements.

Note B NOTES AND MORTGAGES RECEIVABLE:

	1980	1979
	$000's	
Notes and first mortgages, receivable in instalments from 1981 to 1986, with interest rates from 6% to 15%	6,967	$ 5,422
Less current portion	644	983
	$ 6,323	$ 4,439
The above principal matures as follows:		
Year ending June 30, 1982	$ 3,245	$ 484
Year ending June 30, 1983	114	3,245
Year ending June 30, 1984	260	114
Year ending June 30, 1985	2,266	215
Five years and beyond	438	381
	$ 6,323	$ 4,439

Note C LONG TERM DEBT:

	1980	1979
	$000's	
Industrial revenue bond payable October 15, 1989, with interest at 5-7/8%	$ 10,894	$ —
Mortgages payable in instalments 1981 to 2002; secured by land and buildings, with interest at 8-3/4%	5,593	8,419
Bank loans payable in instalments, with interest rates at bank prime to bank prime plus 1-3/4%	14,732	12,226
Other notes payable with interest rates from nil to 10%	482	355
	31,701	21,000
Less current portion	3,893	2,221
	$ 27,808	$ 18,779
The above principal matures as follows:		
Year ending June 30, 1982	$ 1,562	$ 1,634
Year ending June 30, 1983	973	1,529
Year ending June 30, 1984	148	979
Year ending June 30, 1985	159	207
Five years and beyond	24,966	14,430
	$ 27,808	$ 18,779

Interest on long term debt amounted to $2,644,368 for the year ended June 30, 1980 (1979-$2,436,000) of which $1,124,000 was capitalized in construction in progress (1979-$30,000).

Note D COMMITMENTS AND CONTINGENT LIABILITIES:

At June 30, 1980 the Company has commitments under leases for theatre and other premises, and equipment, extending for periods up to the year 2060 (excluding renewal option terms). Certain leases also require the lessee to pay property taxes and expenses related to the property. Certain leases provide for additional payments based upon a percentage of revenues of the theatres. Aggregate minimum rental obligations under leases amount to $73,948,000. Minimum annual rental payments required in each of the following five years ending June 30, are:

1981	$5,856,000
1982	$4,546,000
1983	$4,373,000
1984	$4,295,000
1985	$4,217,000

Rental expense for the year ended June 30, 1980 amounted to $6,795,000 (1979-$6,306,000).

At June 30, 1980, the Company has outstanding commitments amounting to $12,473,000 in connection with capital expenditures.

At June 30, 1980, the Company has guaranteed obligations to a maximum of $35,751,000 of certain associated companies (20% to 50% owned). At June 30, 1980 the actual amount outstanding was $25,603,000.

The unfunded liability for past service obligations of the Company's pension plan has been estimated by independent actuaries at approximately $2,410,000 at June 30, 1980. This liability is being funded through 1988, with corresponding charges to earnings.

FAMOUS PLAYERS THEATRES

Notes to Consolidated Financial Statements
June 30, 1980 and
June 30, 1979

Note E GAIN ON SALE OF PROPERTY:

Gain on sale of property includes the Company's equity share of earnings of associated companies arising from sales of property. For 1980 this amounted to $553,000 (1979-$463,000).

Note F REMUNERATION OF DIRECTORS AND OFFICERS:

	1980	1979
Remuneration:		
Remuneration of directors as directors	**$ 19,200**	$ 13,000
Remuneration of officers as officers	**$903,000**	$ 796,000
Other information:		
Number of directors	**10**	10
Number of officers	**15**	14
Number of officers who are also directors	**2**	2

The directors and officers receive no remuneration from the Company's subsidiaries.

Note G RELATED PARTY TRANSACTIONS:

In the normal course of business, the Company enters into transactions with certain affiliated companies, principally for the supply of motion pictures for exhibition and for short term investment of temporarily surplus cash funds of the Company. These transactions are consummated on an arm's length basis and, accordingly, the Company derives no competitive financial benefit or disadvantage from them.

Canadian Cablesystems Limited

Directors

Donald L. Angus
President
H.H. Angus & Associates Limited
Toronto, Ontario

Jack E. Davis
President
Community Antenna Television Ltd.
Calgary, Alberta

Claude Ducharme, Q.C.
Partner
Desjardins, Ducharme,
Desjardins & Bourque
Montreal, Quebec

George A. Fierheller
Vice-Chairman
Canadian Cablesystems Limited
Vancouver, British Columbia

Robert M. Francis
Senior Vice-President, Finance
Canadian Cablesystems Limited
Toronto, Ontario

John W. Graham, Q.C.
Partner
Cassels, Brock
Toronto, Ontario

Gordon C. Gray, F.C.A.
Chairman & Chief Executive Officer
A.E. LePage Limited
Toronto, Ontario

Arnold J. Groleau, F.E.I.C.
Retired, formerly Executive
Vice-President of Bell Canada
Montreal, Quebec

Thomas I. Hull
President
Thomas I. Hull Insurance Limited
Toronto, Ontario

Peter S. Hyndman, M.L.A.
Partner
Fraser, Hyndman
Vancouver, British Columbia

Edwin R. Jarmain
President
London Cable TV
London, Ontario

Philip B. Lind
Senior Vice-President,
Programming & Planning
Canadian Cablesystems Limited
Toronto, Ontario

William D. McGregor
President
CAP Communications
Kitchener, Ontario

W. Garth Pither
Vice-Chairman
Premier Communications Limited
Vancouver, British Columbia

Edward S. Rogers
Vice-Chairman &
Chief Executive Officer
Canadian Cablesystems Limited
Toronto, Ontario

Loretta A. Rogers
Company Director
Canadian Cablesystems Limited
Toronto, Ontario

Robert Smith
Chairman & President
Talcorp Associates Limited
Toronto, Ontario

The Hon. Richard J. Stanbury, Q.C.
Partner
Cassels, Brock
Toronto, Ontario

Ian H. Stewart
Barrister and Solicitor
Victoria, British Columbia

Carole S. Taylor
T.V. Journalist,
Vancouver, British Columbia

John A. Tory, Q.C.
President
The Thomson Corporation Limited
Toronto, Ontario

Colin D. Watson
President
Canadian Cablesystems Limited
Toronto, Ontario

Sydney W. Welsh
Honorary Chairman
Canadian Cablesystems Limited
Vancouver, British Columbia

James W. Whittall
Chairman of the Executive Committee
Reed Stenhouse Companies Limited
Toronto, Ontario

W. David Wilson
Vice-President & Director
McLeod Young Weir Limited
Vancouver, British Columbia

Officers

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Chairman

Sydney W. Welsh
Honorary Chairman

Edward S. Rogers
Vice Chairman &
Chief Executive Officer

George A. Fierheller
Vice-Chairman

Colin D. Watson
President

Robert M. Francis
Senior Vice-President, Finance

Philip B. Lind
Senior Vice-President,
Programming & Planning

Barry A. Ross
Senior Vice-President, Corporate

David E. Friesen
Vice-President, Canadian Operations

Robert B. Clasen
Vice-President Operations-U.S.

Nicholas F. Hamilton-Piercy
Vice-President,
Engineering & Technical Services

Graham W. Savage
Vice-President, Investment
Planning

Roy A. Faibish
Vice-President-Europe

William A. Scarrow
Treasurer

Albert Gnat
Secretary

Daphne Evans
Assistant Secretary

Premier Communications Limited

Directors

John M. Bird
President
General Equipment Limited
West Vancouver, British Columbia

Jack E. Davis
President
Community Antenna Television Ltd.
Calgary, Alberta

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President & Chief Executive Officer
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Vancouver, British Columbia

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W. Garth Pither
Vice-Chairman

George A. Fierheller
President &
Chief Executive Officer

Lawrence Fox
Senior Vice-President,
Finance & Operations

Robert W. Peake
Vice-President,
Technical Services

Harry K. Davis
Vice-President,
Research & Development

Francis C. Garrett
Vice-President,
Staff Services

Michael J. Jervis
Vice-President,
Planning & Development

E. Gordon Kennedy
Vice-President, Marketing

canadian cablesystems limited

Corporate Information

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Toronto, Canada
M5K 1J5
(416) 864-2373

TRANSFER AGENT

Royal Trust Company

BANKERS

- Toronto-Dominion Bank
- Canadian Imperial Bank of Commerce

AUDITORS

Thorne Riddell

EXCHANGE LISTINGS–CANADIAN

- Toronto Stock Exchange
- Montreal Stock Exchange
- Alberta Stock Exchange
- Vancouver Stock Exchange

Stock symbols

Class A CAB-A
Class B CAB-B

UNITED STATES OVER-THE-COUNTER

National Association of
Securities Dealers Inc.
(NASDAQ)

Stock Symbols

Class A CANCF
Class B CANCZ